

# **DRAKENSTEIN MUNICIPALITY**



**AUDITED  
FINANCIAL STATEMENTS  
30 JUNE 2013**

## TABLE OF CONTENTS

	PAGE
1. GENERAL INFORMATION .....	1
2. APPROVAL OF FINANCIAL STATEMENTS .....	5
3. STATEMENT OF FINANCIAL POSITION .....	6
4. STATEMENT OF FINANCIAL PERFORMANCE .....	7
5. CASH FLOW STATEMENT .....	8
6. STATEMENT OF CHANGES IN NET ASSETS .....	9
7. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS .....	10
8. ACCOUNTING POLICY .....	12
9. NOTES TO THE ANNUAL FINANCIAL STATEMENTS .....	44
10. APPENDICES .....	77
10.1 APPENDIX A: SCHEDULE OF EXTERNAL LOANS .....	77
10.2 APPENDIX B: ANALYSIS OF FIXED, MOVEABLE AND INTANGIBLE ASSETS .....	78
10.3 APPENDIX C1: RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION) .....	80
10.4 APPENDIX C2: RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTE) .....	82
10.5 APPENDIX C3: RECONCILIATION OF BUDGETED PERFORMANCE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE) .....	83
10.6 APPENDIX C4: RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING .....	84
10.7 APPENDIX C5: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2013 .....	86
10.8 APPENDIX D: DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, No 56 OF 2003 .....	87
10.9 APPENDIX E: DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, No 56 OF 2003 .....	88

## GENERAL INFORMATION

### MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE

Cllr Adv GMM van Deventer:	Executive Mayor
Cllr CJ Poole:	Deputy Executive Mayor Rural Management Portfolio Chairperson
Cllr GC Combrink:	Finance Portfolio Chairperson
Cllr Dr ND Adams:	Social Services and Community Development Portfolio Chairperson
Cllr WF Philander:	Housing and Human Settlements Portfolio Chairperson
Cllr Dr LM du Toit:	Environmental Affairs, Open Spaces and Parks Portfolio Chairperson
Cllr LE Ntlemeza:	Corporate Services Portfolio Chairperson
Cllr R Smuts:	Disaster Management Portfolio Chairperson
Cllr EM Kearns:	Public Complaints and Ombudsman Portfolio Chairperson
Cllr JG Rademeyer:	Infrastructure Services Portfolio Chairperson
Cllr Dr MDJ Smith:	Planning and Economic Development Portfolio Chairperson
Cllr AC Stowman:	Sport, Culture, Youth Development and Student Affairs Portfolio Chairperson

## COUNCIL MEMBERS

COUNCILLORS IN OFFICE							
No	Surname		Initials	No	Surname		Initials
1	Adams		ND	32	Lumko		S
2	Adriaanse		MM	33	Magala		LM
3	Afrika		AF	34	Mangena		TC
4	Allom		A	35	Matthee		J
5	Appollis		CJ	36	Mbubu		V
6	Appollis		MB	37	McHelm		JC
7	Arnolds		RB	38	Msolo		MC
8	Bekeer		A	39	Mtiki		N
9	Blanckenberg		DS	40	Naude		WJ
10	Bolani		LE	41	Niehaus		LW
11	Buckle		AML	42	Ntlemeza		LE
12	Combrink		GC	43	Paliso		M
13	Cupido		FP	44	Philander		WF
14	Cupido		PBA	45	Poole		CJ
15	Daries		LN	46	Rademeyer		JG
16	Davids		CO	47	Rens		SC
17	Davids		SW	48	Ross		CS
18	De Beer		AH	49	Ross		S
19	De Goede		HR	50	Sheldon		K
20	De Wet		J	51	Smit		WE
21	Du Toit		LM	52	Smith		MJ
22	Gouws		E	53	Smuts		R
23	Gwada		ZL	54	Somgqeza		TE
24	Hlathi		V	55	Stowman		AC
25	Kearns		C	56	Tshaya		MA
26	Kearns		EM	57	Van der Westhuizen		CC
27	Kem		Z	58	Van Deventer		GMM
28	Koegelenberg		RA	59	Van Nieuwenhuyzen		RH
29	Kotze		DA	60	Von Schlicht		H
30	Landu		L	61	Witbooi		GJ
31	Le Roux		JF				
COUNCILLORS WHO CEASED TO HOLD OFFICE				REPLACEMENTS			
No	Surname	Initials	Date	No	Surname	Initials	Date
1	Meyer	CA	23/07/2012	1	Cupido	PBA	13/08/2012
2	Qebenya	NJ	24/07/2012	2	Kem	Z	13/08/2012
3	Petersen	WA	31/01/2013	3	De Beer	AH	18/02/2013

## MEMBERS OF THE AUDIT COMMITTEE

Mrs Rozan Jaftha:	Chairperson
Mr William James Sewell:	Member
Mr Mandla Mdludlu:	Member
Mr Graham Smit:	Member
Mr Ronnie Kingwill:	Member

## GENERAL INFORMATION

<b>Auditors:</b>	Auditor-General
<b>Bankers:</b>	Nedbank
<b>Grading of Local Authority:</b>	Grade 10
<b>Registered Office:</b>	Drakenstein Municipality
<b>Physical Address:</b>	Berg River Boulevard, Paarl, 7622
<b>Postal Address:</b>	PO Box 1, Paarl, 7646
<b>Telephone:</b>	(021) 807 4500
<b>Fax:</b>	(021) 872 8054
<b>Municipal Manager:</b>	Mr JF Mettler
<b>Chief Financial Officer:</b>	Mr J Carstens
<b>Executive Mayor:</b>	Cllr Adv GMM van Deventer
<b>Deputy Executive Mayor:</b>	Cllr CJ Poole
<b>Speaker:</b>	Cllr JF Le Roux

## EXECUTIVE MANAGEMENT

<b>Municipal Manager:</b>	Mr JF Mettler
<b>Chief Financial Officer:</b>	Mr J Carstens
<b>Executive Manager: Corporate Services:</b>	Me A de Beer
<b>Executive Manager: Planning and Economic Development (Since 01/06/2013):</b>	Mr A Adam
<b>Acting Executive Manager: Planning and Economic Development (01/02/2013 – 31/05/2013):</b>	Mr D Delaney
<b>Executive Manager: Community Services (01/02/2013 – 30/06/2013):</b>	Vacant
<b>Acting Executive Manager: Community Services (Since 01/05/2013):</b>	Mr V Petersen
<b>Executive Manager: Infrastructure Services (01/02/2013 – 30/06/2013):</b>	Vacant
<b>Acting Executive Manager: Infrastructure Services (01/02/2013 – 30/06/2013):</b>	Mr D du Plessis
<b>Executive Director: Social Services (01/07/2012 – 31/01/2013):</b>	Mr T Matthee
<b>Acting Executive Director: Social Services (01/08/2012 – 31/01/2013):</b>	Mr V Petersen
<b>Executive Director: Infrastructure and Planning (01/07/2012 – 30/11/2012):</b>	Mr L Coetzee
<b>Acting Executive Director: Infrastructure and Planning (01/12/2012 – 31/01/2013):</b>	Mr D Delaney
<b>Executive Director: Strategic Services (01/07/2012 – 31/03/2013):</b>	Dr P Naidoo

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of the Annual Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 28 of the Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of The Constitution of the Republic of South Africa, 1996, read together with the Remuneration of Public Office Bearers Act, 1998 (Act No 20 of 1998) and the Minister of Cooperative Governance determination in accordance with this Act.

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**JOHANN FREDERIC METTLER**  
**MUNICIPAL MANAGER**

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**DATE**

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013**

	Note	JUNE 2013  R	JUNE 2012 Restated  R
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>4 204 278 201</b>	<b>4 111 618 593</b>
Property, plant and equipment	11	4 065 661 522	3 981 936 349
Heritage Assets	14	33 903 936	33 903 636
Intangible Assets	12	8 080 772	6 288 230
Investment property	13	93 057 000	86 063 700
Non current assets classified as held for sale	4	1 983 022	1 983 022
Investments	15	153 005	160 822
Long-term receivables	16	1 438 946	1 282 835
<b>Current assets</b>		<b>414 130 903</b>	<b>321 735 614</b>
Inventory	17	46 936 784	53 541 441
VAT	18	12 850 560	19 836 097
Receivables from exchange transactions	19 & 20	159 552 456	101 913 998
Receivables from non-exchange transactions	19.1 & 20.1	58 652 855	34 183 437
Current portion of long-term receivables	16	291 916	303 485
Cash and cash equivalents	21	135 846 333	111 957 156
<b>Total Assets</b>		<b><u>4 618 409 104</u></b>	<b><u>4 433 354 207</u></b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-current liabilities</b>		<b>706 986 922</b>	<b>621 698 724</b>
Long-term liabilities	5	531 974 484	443 252 053
Retirement Benefit Obligation	6	110 755 956	107 720 364
Non-Current Provisions	7	64 256 482	70 726 308
<b>Current liabilities</b>		<b>361 847 691</b>	<b>271 893 754</b>
Consumer deposits	8	25 925 779	22 138 506
Payables from exchange transactions	9	190 898 083	157 613 141
Unspent conditional grants and receipts	10	24 935 006	25 423 416
Current portion of long-term liabilities	5	98 262 569	57 242 133
Current portion of Retirement Benefit Obligation	6	6 456 296	6 299 345
Current Provisions	7	15 369 957	3 177 214
<b>Net assets</b>		<b>3 549 574 491</b>	<b>3 539 761 728</b>
Housing Development Fund	1	42 429 598	41 672 724
Revaluation Reserve	2	1 089 855 827	1 099 058 841
Accumulated Surplus / (Deficit)	3	2 417 289 066	2 399 030 163
<b>Total Net Assets and Liabilities</b>		<b><u>4 618 409 104</u></b>	<b><u>4 433 354 207</u></b>



**DRAKENSTEIN MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2013**

FOR THE YEAR ENDED 30 JUNE 2013

Budget			Actual	
2012 Revised R	2013 Revised R	Note	2013 R	2012 Restated R
REVENUE				
Revenue from exchange transactions				
794 389 541	868 301 529	23	890 479 753	755 176 676
18 335 843	18 466 736	24	18 991 092	18 773 986
8 389 937	6 165 000	25	6 105 540	5 322 775
0	0	25	15 120	15 120
8 800 000	10 035 543	25	10 922 408	9 063 784
20 684 373	17 696 426	27	25 995 939	15 139 780
4 000 000	0		0	1 329 458
Revenue from non-exchange transactions				
			3 005 000	0
169 603 446	180 427 467	22	178 298 151	165 731 846
1 450 000	1 332 000		1 471 195	1 207 033
8 788 500	4 508 202		4 971 247	4 615 860
10 637 750	11 266 050		11 572 086	10 133 545
		27	347 128	0
228 904 835	191 926 441	26	199 514 880	176 814 029
<b>1 273 984 225</b>	<b>1 310 125 394</b>		<b>1 351 689 539</b>	<b>1 163 323 893</b>
Total Revenue				
EXPENDITURE				
291 556 387	348 599 274	28	341 296 148	309 511 008
16 926 724	17 641 447	28	17 641 423	16 653 674
26 074 550	26 944 754	29	48 121 218	28 135 679
5 959 800	10 173 000		9 892 204	8 951 735
130 195 510	157 521 477	30	152 308 810	156 972 138
0	0	31	976 050	0
72 019 384	57 742 461		53 381 916	54 058 491
36 867 554	49 317 213	32	49 275 660	36 853 855
424 231 731	474 322 181	33	466 494 342	429 651 636
9 177 964	10 997 237		10 761 939	8 971 938
664 743	884 629	34	427 636	664 727
189 238 305	191 286 141	35	192 837 727	146 140 375
0	0		0	2 276 824
<b>1 202 912 652</b>	<b>1 345 429 814</b>		<b>1 343 415 074</b>	<b>1 198 842 080</b>
Total Expenditure				
<b>71 071 573</b>	<b>-35 304 420</b>	53	<b>8 274 465</b>	<b>-35 518 188</b>
Surplus / (Deficit) for the year				

**DRAKENSTEIN MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

Note	<u>2013</u>	<u>2012</u>
R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>RECEIPTS</b>		
Property rates	179 380 806	162 037 034
Sale of goods and services	862 754 795	780 564 252
Grants received	178 219 205	168 944 379
Interest and dividends received	6 105 540	5 322 775
Dividends received	15 120	15 120
Other receipts and fines received	35 278 661	32 764 749
<b>PAYMENTS</b>		
Employee cost	(335 201 331)	(320 826 335)
Suppliers	(744 676 472)	(745 534 177)
Interest paid	(49 275 660)	(36 853 855)
VAT paid	(6 985 537)	(3 775 527)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>125 615 126</b>	<b>42 658 415</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(230 826 649)	(269 068 490)
Purchase of Intangible assets	(4 387 399)	(3 075 700)
Purchase of Investment property	-	-
Proceeds on disposal of property, plant and equipment	102 500	3 704 252
Decrease/(Increase) in non-current receivables	(144 542)	2 650 940
Decrease/(Increase) in call investment deposits	0	0
(Decrease)/Increase in non current investment	0	0
	0	0
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(235 256 089)</b>	<b>(265 788 998)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New loans raised	129 742 867	166 276 961
Increase in consumer deposits	3 787 274	2 575 564
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>133 530 141</b>	<b>168 852 525</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>23 889 177</b>	<b>(54 278 058)</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	111 957 156	166 235 214
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	135 846 333	111 957 156

# **DRAKENSTEIN MUNICIPALITY** **STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013**

Note Ref.	Housing	Revaluation Reserve	Government Grants		Capitalisation Reserve		Capital Replacement Reserve		Accumulated Surplus		Total	
			R	R	R	R	R	R	Donations and Public Contributions	Self-Insurance Reserve		Accumulated Surplus due to results of operations
	37 681 268	1 154 597 294	268 473 003	586 320 931	25 692 203	0	2 372 875	1 527 290 814	2 421 149 826	3 613 328 388		
Restated balance at 30 June 2011												
Net surplus/(deficit) for the year	0	0	0	0	0	0	0	-35 518 188	-35 518 188	-35 518 188		
Transfer to CRR	0	0	0	0	45 878 057	0	0	-45 878 057	0	0		
Property, plant and equipment purchased	0	0	0	0	-52 879 397	0	0	52 879 397	0	0		
Intangible assets purchased	0	0	0	0	3 075 700	0	0	-3 075 700	0	0		
Capital grants used to purchase PPE	0	0	66 430 669	0	0	0	0	-66 430 669	0	0		
Contribution to / (from) Insurance Reserve	0	0	0	0	0	0	-438 697	0	-438 697	-438 697		
Asset Disposals	0	-3 391 966	-468 234	-449 798	0	0	0	3 667 612	2 749 581	-642 365		
Asset Transfers from PPE to Investment property	0	0	0	0	0	0	0	0	0	0		
Fair value adjustment on PPE	0	0	0	0	0	0	0	0	0	0		
Adjustments	0	0	0	0	0	0	0	0	0	0		
Transfer to Housing Development Fund	4 091 456	0	0	0	0	0	0	709 373	709 373	709 373		
Offsetting of Depreciation	0	-6 223 144	-15 658 952	-35 387 287	0	0	0	-2 262 657	-2 262 657	1 828 799		
Balance at 30 June 2012	41 672 724	1 144 982 184	318 776 486	560 483 846	22 766 563	0	1 934 178	1 488 651 308	2 392 612 382	3 579 267 290		
Correction of error (Landfill Site)	0	0	0	0	0	0	0	3 414 910	3 414 910	3 414 910		
Correction of error (Investment Property)	0	-25 011 776	0	0	0	0	0	46 453 979	46 453 979	21 442 203		
Correction of error (Assets not controlled)	0	-20 911 565	-25 365 085	-1 990 606	0	0	0	-2 583 489	-29 939 179	-50 850 745		
Change in accounting policy (Grants : GRAP 23)	0	0	0	0	0	0	0	1 638 509	1 638 509	1 638 509		
Correction of error (Inventory)	0	0	0	0	0	0	0	268 552	268 552	268 552		
Change in accounting policy (Investment Stock)	0	0	0	0	0	0	0	43 477	43 477	43 477		
Change in accounting policy (Heritage assets)	0	0	0	0	0	0	0	30 157	30 157	30 157		
Change in accounting policy (Employee Costs)	0	0	0	0	0	0	0	-15 492 625	-15 492 625	-15 492 625		
2012	41 672 724	1 099 058 842	293 411 401	568 493 240	22 766 563	0	1 934 178	1 522 424 778	2 399 030 182	3 539 761 728		
Net surplus/(deficit) for the year	0	0	0	0	0	0	0	8 274 465	8 274 465	8 274 465		
Transfer to CRR	0	0	0	0	9 000 000	0	0	-9 000 000	0	0		
Property, plant and equipment purchased	0	0	0	0	-7 242 063.29	0	0	7 242 063	0	0		
Intangible assets purchased	0	0	0	0	-4 387 399	0	0	4 387 399	0	0		
Capital grants used to purchase PPE	0	0	56 630 809	0	0	0	0	-56 630 809	0	0		
Contribution to / (from) Insurance Reserve	0	0	0	0	0	0	-188 954	0	-188 954	-188 954		
Asset Disposals	0	0	0	-760 903	0	0	0	760 903	0	0		
Asset Transfers from PPE to Investment property	0	0	0	0	0	0	0	0	0	0		
Library Books	0	0	0	0	-43 615	0	0	43 615	0	0		
Fair Value Adjustment	0	0	0	0	0	0	0	0	0	0		
Fair value adjustment on PPE	0	0	0	0	0	0	0	0	0	0		
Transfer to Housing Development Fund	756 874	0	0	0	0	0	0	970 380	970 380	1 727 254		
Offsetting of Depreciation	0	-9 203 015	-10 268 202	-29 126 711	0	0	0	-48 597 928	9 203 015	0		
Balance at 30 June 2013	42 429 598	1 089 855 827	339 774 007	528 605 626	20 083 486	0	1 745 224	1 527 070 723	2 417 289 068	3 549 574 492		

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013**

Description	2012/2013										Actual Outcome as % of Original Budget
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions	186 797 920	-6 370 453	180 427 482	0	0	180 427 467	179 298 151	0	-2 129 316	98.82	95.45
Property Rates	2 000 000	-668 000	1 332 000	0	0	1 332 000	1 471 195	0	139 195	110.45	73.56
Property Rates - Penalties imposed and collection charges	7 278 225	-2 770 023	4 508 202	0	0	4 508 202	4 971 247	0	463 045	110.27	68.30
Fines	11 761 450	-495 400	11 266 050	0	0	11 266 050	11 572 088	0	306 036	102.72	98.39
Licences and Permits	0	0	0	0	0	0	0	0	0	-	0.00
Income for Agency Services	149 373 324	-14 209 759	135 163 565	0	0	135 163 588	142 884 071	0	7 720 506	105.71	95.66
Government Grants and Subsidies Received	0	0	0	0	0	0	3 005 000	0	3 005 000	-	0.00
Public Contributions and Donations and Other	0	0	0	0	0	0	0	0	0	-	0.00
Revenue from Exchange Transactions	898 654 578	-35 180 352	862 474 226	0	10	862 474 236	884 646 061	0	22 171 825	102.57	98.44
Service Charges	19 485 395	-998 659	18 486 736	0	0	18 486 736	18 991 092	0	504 356	102.84	97.56
Rental of Facilities and Equipment	6 276 000	-111 000	6 165 000	0	0	6 165 000	6 120 660	0	-44 340	99.28	97.52
Interest Earned - External Investments	9 651 900	383 643	10 035 543	0	0	10 035 543	10 922 409	0	886 865	108.84	113.16
Interest Earned - Outstanding Debtors	0	0	0	0	0	0	0	0	0	-	0.00
Dividends Received	0	0	0	0	0	0	0	0	0	-	0.00
Royalties Received	0	0	0	0	0	0	0	0	0	-	0.00
Other Income	28 832 002	-5 308 287	23 523 715	0	4	23 523 719	31 829 631	0	8 305 912	135.31	110.40
Other Gains on Continued Operations	0	0	0	0	0	0	347 128	0	347 128	-	0.00
Gains on Disposal of Property, Plant and Equipment	4 000 000	-4 000 000	0	0	0	0	0	0	0	-	0.00
Profit on Sale of Land	0	0	0	0	0	0	0	0	0	-	0.00
Total Revenue	1 324 090 793	-70 729 290	1 253 362 518	0	0	1 253 362 518	1 295 058 730	0	41 696 212	103.33	97.81
Expenditure	320 542 912	24 734 877	345 277 788	0	0	345 277 789	341 296 148	0	3 981 641	98.85	106.47
Employee Related Costs	18 436 833	-795 386	17 641 447	0	0	17 641 447	17 641 423	0	24	100.00	95.69
Remuneration of Councilors	0	0	0	0	0	0	0	0	0	-	0.00
Collection Costs	137 517 934	20 003 543	157 521 473	0	0	157 521 477	153 284 860	0	4 236 617	97.31	111.47
Depreciation and Amortisation	28 944 754	0	26 944 754	0	0	26 944 754	48 121 218	0	-21 176 464	178.59	178.59
Impairment Losses	0	0	0	0	0	0	0	0	0	-	0.00
Repairs and Maintenance	51 985 251	-2 666 038	49 317 216	0	0	49 317 213	49 275 690	0	41 563	99.92	84.79
Finance Costs	483 811 521	-9 489 340	474 322 181	0	0	474 322 181	466 494 342	0	7 827 839	98.35	96.42
Bulk Purchases	9 700 063	596 751	10 296 814	0	700 423	10 997 237	10 761 939	0	235 298	97.85	110.55
Contracted Services	884 628	1	884 628	0	0	884 629	427 636	0	458 993	48.34	48.34
Grants and Subsidies Paid	0	0	0	0	0	0	0	0	0	-	0.00
Research and Development Costs	274 233 143	-11 009 593	263 223 550	0	-700 463	262 523 087	256 111 848	0	6 411 239	97.56	93.39
General Expenses	0	0	0	0	0	0	0	0	0	-	0.00
Other Losses on Continued Operations	0	0	0	0	0	0	0	0	0	-	0.00
Loss on Disposal of Property, Plant and Equipment	0	0	0	0	0	0	0	0	0	-	0.00
Total Expenditure	1 324 055 039	21 374 815	1 345 429 846	0	0	1 345 429 814	1 343 415 074	0	2 014 740	99.85	101.46
Surplus/(Deficit)	35 754	-92 103 104	-92 067 328	0	0	-92 067 296	-48 356 344	0	43 710 952	-	0.00
Transfers Recognised - Capital	48 470 844	8 292 032	74 103 079	0	0	56 762 878	56 630 909	0	-132 067	99.77	116.83
Contributions Recognised - Capital and Contributed Assets	0	0	0	0	0	0	0	0	0	-	0.00
Surplus/(Deficit) after Capital Transfers and Contributions	48 506 598	-83 811 072	-17 964 249	0	0	-35 304 420	8 274 465	0	43 578 885	-	17.06
Surplus / (Deficit) from Discontinued Operations	0	0	0	0	0	0	0	0	0	-	0.00
Share of Surplus/(Deficit) of Associate	0	0	0	0	0	0	0	0	0	-	0.00
Surplus/(Deficit) for the Year	48 506 598	-83 811 072	-17 964 249	0	0	-35 304 420	8 274 465	0	43 578 885	-	17.06
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	1 540 000	491 446	2 031 446	0	-30 000	2 001 446	1 781 737	0	219 709	89.02	115.70
Finance and Administration	1 660 000	0	1 660 000	0	-927 300	732 700	525 672	0	207 028	71.74	31.67
Planning and Development	23 285 661	22 994 755	46 280 416	0	-18 007 133	28 273 283	26 107 725	0	2 165 558	92.34	112.12
Health	1 438 268	-5 266	1 433 000	0	0	1 433 000	1 374 467	0	58 503	95.92	95.57
Community and Social Services	183 000	-100 000	83 000	0	20 000	103 000	88 326	0	14 674	85.75	48.27
Housing	8 627 259	1 245 601	9 872 860	0	-331 744	9 541 116	9 013 133	0	527 983	94.47	104.47
Public Safety	15 849 511	-7 149 462	8 700 049	0	-193 095	8 506 954	6 744 820	0	1 762 134	79.29	42.56

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013**

Description	Original Total Budget	2012/2013									
		Budget Adjustments	Final Adjustments Budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Sport and Recreation	1 575 831		1 565 831	0	0	1 565 831	838 960	0	725 881	53.58	53.24
Environmental Protection	7 667 985	-10 000	7 017 800	0	-412 789	6 605 011	5 862 002	0	753 009	88.60	76.32
Waste Management	5 950 000	25 781	5 975 781	0	-20 000	5 955 781	3 406 771	0	2 549 010	57.20	57.26
Roads and Transport	119 139 326	-825 517	118 313 809	0	-25 360 698	92 953 111	92 909 834	0	43 277	99.95	77.98
Water	23 712 844	11 263 821	34 976 665	0	-16 840 516	18 136 149	18 140 402	0	315 747	98.29	76.50
Electricity	41 960 000	0	41 960 000	0	-3 525 839	38 434 161	38 417 846	0	16 215	99.96	91.56
Other	32 232 583	7 258 763	39 491 346	0	-7 265 500	32 225 846	30 012 232	0	2 213 614	93.13	93.11
<b>Total Sources of Capital Funds</b>	<b>284 822 268</b>	<b>34 569 735</b>	<b>319 392 003</b>	<b>0</b>	<b>-72 594 614</b>	<b>246 797 389</b>	<b>235 214 048</b>	<b>0</b>	<b>11 573 341</b>	<b>95.31</b>	<b>82.56</b>
<b>CASH FLOW</b>											
Cash Flows from/(used in) Operating Activities	181 022 725	42 321 561	138 704 163	0	-16 484 106	122 217 057	125 615 126	0	3 398 069	102.78	59.39
Cash Flows from/(used in) Investing Activities	-273 152 314	45 729 889	-318 882 003	0	72 594 614	-246 287 389	-235 255 090	0	11 031 299	-	0.00
Cash Flows from/(used in) Financing Activities	168 673 087	0	168 673 087	0	-23 160 000	139 523 087	133 529 746	0	-5 993 341	95.70	79.16
Cash/cash equivalents at the year begin:	76 543 498	88 051 250	-11 507 753	0	26 960 508	15 452 755	23 888 782	0	8 436 027	154.59	31.27
Cash/cash equivalents at the year end:	111 957 156	0	111 957 156	0	111 957 156	111 957 156	111 957 156	0	-	100.00	100.00
	188 500 654	88 051 250	100 449 403	0	138 917 664	127 409 911	135 845 938	0	8 438 027	106.62	72.07

## DRAKENSTEIN MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 1. BASIS OF PRESENTATION

These annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in the note on changes in accounting policies

These standards are summarised as follows:

Reference	Topic
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Inventory Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets

GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of Cash-generating Assets
GRAP 100	Non-current Asset Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IFRS 4	Insurance contracts
IFRS 6	Exploration for and evaluation of mineral resources
IAS 12	Income taxes
IGRAP 1**	Applying the probable test on initial recognition of exchange revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a lease
IGRAP 4	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IFRIC 12	Service concession arrangements
SIC 25	Income taxes – Changes in the status of an enterprise or its shareholders
SIC 29	Disclosure service concession
Directive 1	Repeal of existing transitional provisions in, and consequential amendments to, standards of GRAP
Directive 2	Transitional provisions for the adoption of GRAP by public entities, municipal entities and constitutional institutions
Directive 3	Transitional provisions for the adoption of GRAP by high capacity municipalities
Directive 4	Transitional provisions for the adoption of GRAP by medium and low capacity municipalities
Directive 5	Determine the GRAP reporting framework
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP
ASB Guide 1	Guideline on accounting for public private partnerships

The Cash Flow Statement is prepared using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with Paragraphs 7, 11 and 12 of GRAP 3. Where a standard of GRAP that has been issued by the Accounting Standards Board, but for which an effective date has not yet been determined by the Minister of Finance, accounting policies were developed based on the relevant GRAP standard.



## **2. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Reference	Topic
GRAP 18	Segment Reporting - issued March 2005
GRAP 20	Related Party Disclosures (Revised)
GRAP 25	Employee Benefits - issued December 2009
GRAP 105	Transfers between entities under common control - issued November 2010
GRAP 106	Transfers between entities not under common control - issued November 2010
GRAP 107	Mergers - issued November 2010

The Minister of Finance announced that the application of GRAP 25 will be effective for period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors."

The Municipality applied the principles established in the following Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with the following transactions, but have not early adopted this Standard: Employee Benefits (GRAP 25).

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

## **3. CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS**

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the



revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

- **Operating lease commitments – Municipality as lessor**

Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

- **Pension and other post-employment benefits**

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

- **Classification of financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on judgement by management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

- **Impairment of financial assets**

The Accounting Policy Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

- **Review of useful lives of property, plant and equipment and intangible assets**

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

- **Impairment of property plant and equipment, intangible assets, heritage assets and inventory**

The Accounting Policies on Impairment of Cash and Non-cash generating assets as well as Inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to the impairment of PPE, Intangible Assets and Heritage Assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets.

- **Provisions and contingent liabilities**

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities, as set out in the note on Provisions. Provisions are discounted where the effect of discounting is material.

- **Revenue recognition**

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular: when goods are sold, whether the municipality had transferred to the buyer the significant risks and rewards of ownership of the goods; and, when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

- **Budget Information**

Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the annual financial statements

#### **4. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand and are rounded off to the nearest Rand.

#### **5. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

#### **6. OFFSETTING**

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability

simultaneously.

## **7. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997).

### **7.1 Housing Development Fund**

Sections 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, required that the Municipality maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, inter alia, Section 16(2), that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, be paid into a separate operating account, and be utilised by the Municipality for housing development in accordance with the National Housing Policy.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Housing.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

### **7.2 Un-realized Housing Proceeds**

In order to comply with Section 14(4)(d)(i) and (ii) of the Housing Act, (Act 107 of 1997) where all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account which represents the un-realized funds due by long-term housing selling schemes and sponsored loan debtors. This account is reduced when debtors are billed for their payment.

## **8. ACCUMULATED SURPLUS**

The municipality creates and maintains reserves in terms of specific requirements. These reserves form part of the Accumulated Surplus

### **8.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash ring-fenced in the CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated

surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

## **8.2 Capitalisation Reserve**

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus / (deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus / (deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus / (deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus / (deficit).

## **8.3 Insurance Reserve**

A general Insurance Reserve has been established and, subject to re-insurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets. Reinsurance premiums paid to external re-insurers are regarded as an expense and are shown as such in the Statement of Financial Performance. The net surplus or deficit on the insurance operating account is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

The balance of the self-insurance reserve is invested in short term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance and is transferred to the Insurance reserve via the Statement of Changes in Net Assets as a contribution.

## **8.4 Government Grant Reserve**

The municipality has applied GRAP 23 as a result capital grants and receipts relating to the creation of fixed assets are included in non-current liabilities as Government Grants and Subsidies. The accounting policy on conditional grants and receipts is set out in accounting policy note 23.

## **8.5 Revaluation Reserve**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as re-valued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on re-valued amounts are credited or charged to the Statement of Financial Performance.

## **9. PROVISIONS**

Provisions are recognized when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

### **9.1 Environmental rehabilitation provisions**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

## **10. PROPERTY, PLANT AND EQUIPMENT**

### **10.1 Initial recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one



year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

## **10.2 Subsequent measurement**

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and building and including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation."

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

### 10.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

The estimated useful life, residual values and depreciation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Asset class	Useful lives as applied in the FAR (years)
<b>Infrastructure</b>	
Roads and paving	5-100
Pedestrian Malls	7-100
Electricity	4-75
Water	0-100
Sewerage	5-100
Housing	30
<b>Community</b>	
Improvements	5-30
Recreational facilities	5-36
Security	3-5
Land	0
<b>Other</b>	
Buildings	30
Specialist vehicles	3-20
Other vehicles	3-10

Office equipment	3-10
Furniture & fittings	5-10

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

#### **10.4 De-recognition of property, plant and equipment**

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

### **11. INTANGIBLE ASSETS**

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortization is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.



## 12. INVESTMENT PROPERTIES

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use.
- A building owned (or held by under a finance lease) and leased out under one or more operating leases.
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.
- A building that is vacant but is held to be leased out under one or more operating leases.
- Property that is being constructed or developed for future use as investment property;

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers on reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy for property, plant and equipment).

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **13. HERITAGE ASSETS**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

The Municipality classifies assets as Heritage Assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified a Heritage Assets, furthermore land with a natural significance is not componentised but seen as a single Heritage asset due to all parts contributing together to make up its significance.

#### **13.1 Initial recognition**

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

#### **13.2 Subsequent measurement**

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding Heritage assets which are land and buildings) are measured at cost, less accumulated impairment losses. Heritage assets are not

depreciated.

Subsequent to initial recognition, land and buildings which qualify as Heritage Assets are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

### **13.3 De-recognition of heritage assets**

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

### **13.4 Transitional provisions**

The municipality utilised the transitional provisions under Directive 4, which allows 3 year for the measurement of heritage assets.

## **14. BIOLOGICAL ASSETS**

Biological assets are measured at each balance sheet date at their cost or fair value less estimated point-of-sale costs. The fair value of livestock is determined by using the present value of expected net cash flows from the asset discounted at the municipality's required rate of return.

Gains or losses arising on initial recognition of a biological asset at cost or fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset shall be included in profit or loss for the period in which it arises.

## **15. INVENTORIES**

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for plants and compost, which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventories comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Consumables are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### **15.1 Water inventory**

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

### **15.2 Housing inventory**

Housing inventory is BNG houses still in process of construction, or completed and not yet transferred. These houses are entirely funded by the National Department of Human Settlements, through the Western Cape Department of Human Settlements, but the Municipality is regarded as principle in terms of GRAP and therefore recognises these costs as inventory up to the point of transfer to the allocated beneficiary where after the cost is expensed through the Statement of Financial Performance. Housing inventory is measured at the lower of cost and current replacement cost as they will be distributed through a non-exchange transaction.

## **16. NON CURRENT ASSETS HELD-FOR-SALE**

### **16.1 Initial recognition**

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

## **16.2 Subsequent measurement**

Non-current Assets (and Disposal Groups) classified as held-for-sale, are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

## **17. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND HERITAGE ASSETS**

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

### **17.1 Impairment of cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.



An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

## **17.2 Impairment of non-cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## **18. EMPLOYEE BENEFITS**

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

### **18.1 Short-term employee benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

### **18.2 Post-employment benefits: Defined contribution plans**

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

### **18.3 Post-employment benefits: Defined benefit plans**

A **defined benefit plan** is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

#### **18.3.1 Post-retirement Health Care Benefits:**

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. The other Medical Aid Funds, with which the Municipality is associated, do not provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried

out annually by independent qualified actuaries.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

#### **18.3.2 Ex-gratia Pension Benefits:**

The Municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the former Paarl and Wellington Municipalities (now incorporated into the Drakenstein Municipality) at 31 December 1994 (Paarl) and 31 March 1995 (Wellington) and still in the employment of Drakenstein Municipality at date of normal retirement, medical disability, retrenchment or death. The gratuity is calculated on the salary benefits during 1994/1995.

#### **18.4 Long-service allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

#### **18.5 Provincially-administered defined benefit plans**

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 6 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

The municipality does not apply defined benefit accounting to the defined benefit funds to which it is a member where these funds are classified in terms of GRAP as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds.

Salaried personnel are members of the Cape Joint Pension fund established in terms of the Local Authorities Pension Fund Ordinance, 1969 (Ordinance 23 of 1969), and the provisions of the Pension Fund Act, 1956 (Act 24 of 1956) or the SAMWU National Provident Fund.

#### **18.6 Leave pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position.



## **19. LEASES**

### **19.1 Lease classification**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

### **19.2 The Municipality as lessee**

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **19.3 The Municipality as lessor**

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

## **20 BORROWINGS**

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

## 21 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

### 21.1 Classification of financial instruments

#### 21.1.1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with

GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

*Financial asset at amortised cost* being non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

*Financial assets measured at fair value* being financial assets that meet either of the following conditions:

- (a) Derivatives;
- (b) Combined instruments that are designated at fair value;
- (c) Instruments held for trading;
- (d) Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

*Financial assets measured at cost* being investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Finance Lease Receivables	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Current portion of Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Investments in stock –ESCOM	Financial assets at fair value

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

### **21.1.2 Financial Liabilities**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of Financial Liabilities and the classification determining how they are measured exist:

- (i) Financial liabilities measured at fair value; or
- (ii) Financial liabilities measured at amortised cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

## **21.2 Initial and subsequent measurement**

### **21.2.1 Financial assets:**

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

#### **21.2.2 Financial liabilities:**

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

#### **21.3 Impairment of financial assets**

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Trade receivables encompass long term debtors, consumer debtors and other debtors. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 104, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

##### **21.3.1 Consumer debtors**

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

### **21.3.2 Other debtors**

Other Debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

### **21.3.3 Long term debtors**

#### **◦ Housing Loans**

The loans in this group are assessed by reviewing their payment histories and ratios. Provision for impairment is made accordingly.

#### **◦ Other Long Term Debtors**

No provision for impairment is made for Other Debtors, because it is envisaged that these debts will be fully recovered.

Other financial assets at amortised cost are assessed individually for impairment.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## **21.4 De-recognition of financial assets**

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## **21.5 De-recognition of financial liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.



## **22 REVENUE RECOGNITION**

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

### **22.1 Revenue from exchange transactions**

#### **22.1.1 Service charges**

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### ***22.1.2 Pre-paid electricity***

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

#### ***22.1.3 Interest earned and rentals received***

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund or the Insurance Reserve.

Interest earned on the following investments is not recognized in the Statement of Financial Performance:-

- Interest earned on Trust Funds is allocated directly to the fund and is not recognized in the Statement of Financial Performance.
- Interest earned on unutilized conditional grants is allocated directly to the creditor: unutilized conditional grants, if the grant conditions indicate that interest is payable to the funder.

#### ***22.1.4 Dividends***

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

#### ***22.1.5 Tariff charges***

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

#### ***22.1.6 Income from agency services***

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

#### ***22.1.7 Housing rental and instalments***

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

#### ***22.1.8 Sale of goods***

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.

- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

## **22.2 Revenue from non-exchange transactions**

### **22.2.1 Rates and taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

### **22.2.2 Fines**

Fines constitute both spot fines and summonses. When an estimate can be made for the revenue amount that is expected to be collected from spot fines based on past experience of amounts collected, this is recognized as revenue. Where a reliable estimate cannot be made, revenue from spot fines is recognized when paid by the offender. Revenue from the issuing of summonses is only recognized when notified by the public prosecutor of the amount actually collected.

### **22.2.3 Donations and contributions**

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.



#### **22.2.4 Government grants and receipts**

- Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

- Conditional grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

- Interest earned on unspent grants and receipts

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance in accordance with GRAP 9

#### **22.2.5 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

### **23 VALUE ADDED TAX**

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

## 24 GRANTS-IN-AID

The municipality transfers money to individuals, organizations and other sectors of government from time to time. When making these transfers, the municipality does not:-

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognized in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

## 25 UNAUTHORISED EXPENDITURE

Section 1 of the Municipal Finance Management Act (MFMA), No 56 of 2003, defines “unauthorised expenditure” as follows -

- (a) Overspending of the total amount appropriated in the municipality’s approved budget;
- (b) Overspending of the total amount appropriated for a vote in the approved budget;
- (c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose or
- (e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act;

Section 1 of the MFMA also defines a “vote” as:

- a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned

The Municipality uses the Government Finance Statistics (GFS) functions as well as directorates as the main groupings of segments of the Municipality’s budget segments within the Municipality are grouped per directorate to facilitate greater accountability and budget implementation by the respective Executive Managers as well as per GFS classification to facilitate comparisons on a higher level.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## 26 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management

Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **27 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **28 FOREIGN CURRENCIES**

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## **29 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the annual financial statements where applicable.

### **30 RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

### **31 EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

### **32 COMPARATIVE INFORMATION**

#### **32.1 Current year comparatives**

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving motivations for over- or under spending on line items where it is found to be material. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013.

In general a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

### **32.2 Prior year comparatives**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

## **33 CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>1 HOUSING DEVELOPMENT FUND</b>		
<i>Realised Housing Proceeds</i>		
Balance at beginning of the year	36 643 612	32 061 292
Plus : Interest & Redemption & Other on Housing Schemes	2 883 347	2 927 479
Less : (Net Loss) / Surplus on letting schemes	-970 380	2 262 657
Less : Housing Subsidies Expenditure	-659 422	-607 816
Balance at the end of the year	37 897 158	36 643 612
<i>Unrealised Housing Proceeds</i>		
Balance at beginning of the year	5 029 112	5 519 977
Long term Housing Loans	-496 673	-490 865
Balance at the end of the year	4 532 439	5 029 112
<b>TOTAL</b>	<b>42 429 597</b>	<b>41 672 724</b>

**2. REVALUATION RESERVE**

Re-valuation Reserve	1 089 855 827	1 099 058 842
<b>Total Reserves</b>	<b>1 089 855 827</b>	<b>1 099 058 842</b>

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Revaluation Reserve can be made where they are in accordance with the requirements of the municipality's accounting policy. The payment of cash distributions out of the reserve is restricted by the terms of the municipality's accounting policy. These restrictions do not apply to any amounts transferred to Accumulated Surplus. The Council do not currently intend to make any distribution from the Revaluation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Reserves.

**3 ACCUMULATED SURPLUS**

Capital Replacement Reserve	20 093 486	22 766 563
Capitalisation Reserve	528 605 626	558 493 240
Self-insurance Reserve	1 745 223	1 934 178
Government grant and subsidies	339 774 007	293 411 401
Accumulated Surplus due to the results of Operations	1 527 070 723	1 522 424 778
<b>Total Accumulated Surplus</b>	<b>2 417 289 066</b>	<b>2 399 030 161</b>

The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The Capitalisation Reserve equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The Capital Replacement Reserve and the Self-insurance Reserve is fully funded and invested in ring-fenced financial instruments.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**4. NON CURRENT ASSETS CLASSIFIED AS HELD- FOR- SALE**

Other Assets held for sale	1 983 022	1 983 022
<b>Total Assets classified as Non Current Assets Held-for-Sale</b>	<b>1 983 022</b>	<b>1 983 022</b>

Non current assets classified as held-for-sale relate to the discontinued Health services operations that is still in the process of transfer to the Western Cape Department of Health.

**5. LONG-TERM LIABILITIES**

Annuity Loans	630 237 053	500 494 186
Finance Leases	0	0
Sub-total	630 237 053	500 494 186
Less : Current portion transferred to current liabilities	-98 262 569	-57 242 133
Annuity Loans	-98 262 569	-57 242 133
Finance Leases	0	0
<b>Total Long-term liabilities (Refer to Appendix A for more detail)</b>	<b>531 974 484</b>	<b>443 252 053</b>

**5.1 Summary of Arrangements**

Annuity Loans are repaid over periods varying from 3 to 10 (2012: 3 to 10) years and at interest rates varying from 6.75% to 12.65% (2012: 6.75% to 15.00%) per annum. Annuity Loans are not secured.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**5.2 Obligations under Finance Leases**

The Municipality as Lessee:

This municipality does not have any assets financed from finance leases.

**6. RETIREMENT BENEFIT OBLIGATION**

	2013 R	2012 RESTATED R
Post Employment Health Care Benefits	111 610 129	106 550 885
Ex-Gratia Pension Benefits	5 602 123	7 468 823
	117 212 252	114 019 708
Less: Transfer to Current Obligations	-8 458 296	-5 299 345
Post Employment Health Care Benefits	-5 967 048	-5 632 308
Ex-Gratia Pension Benefits	-489 248	-667 037
<b>Non-Current defined Benefit Plan Obligation</b>	<b>110 755 956</b>	<b>107 720 363</b>



## 6.1 Post Employment Health Care Benefits

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr. Chanan Weiss of Arch Actuarial Consultants cc. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service Members (Employees)	580	553
Continuation Members (Retirees)	205	219
<b>Total Members</b>	<b>785</b>	<b>772</b>

The liability in respect of past service has been estimated as follows:

In-service Members	32 952 000	26 780 499
Continuation Members	78 658 119	79 770 376
<b>Total Liability</b>	<b>111 610 119</b>	<b>106 550 875</b>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Global Health
- LA Health
- Munimed
- Pro Sano
- Sanwumed

The Future-service Cost for the ensuing year is estimated to be R 2,390,513 whereas the Interest Cost for the year after is estimated to be R 9,066,423)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

### i) Rates of Interest

Discount Rate	8.34%	7.44%
Health Care Cost Inflation Rate	7.46%	6.81%
Net Effective Discount Rate	0.82%	0.55%

### ii) Mortality rates

The PA 90 ultimate Mortality table was used by the actuaries.

### iii) Normal retirement age

Expected Retirement Age is 60 or 65, depending on terms of employment contract.

The amounts recognised in the Statement of Financial Position are as follows:

Fair value of plan assets	0	0
Unrecognised Actuarial Gains / (Losses)	111 610 129	106 550 885
Present value of unfunded obligations	0	0
<b>Total Benefit Liability</b>	<b>111 610 129</b>	<b>106 550 885</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 899 338	2 743 617
Interest cost	7 722 166	9 928 889
Actuarial losses / (gains) recognised	1 704 923	-15 808 053
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 28)</b>	<b>11 326 427</b>	<b>-3 135 547</b>

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	106 550 885	115 587 010
Service costs	1 899 338	2 743 617
Interest cost	7 722 166	9 928 889
Benefits paid	-6 267 183	-5 900 578
Actuarial losses / (gains) recognised	1 704 923	-15 808 053
Over provision of the opening balance	0	0
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>111 610 129</b>	<b>106 550 885</b>

Movements in the present value of the Defined Benefit Assets were as follows:

Balance at the beginning of the year	0	0
Contributions from the employer	6 267 183	5 900 578
Benefits paid	-6 267 183	-5 900 578
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>

The history of experienced adjustments is as follows:

	2013	2012	2011	2010	2009
	R	R	R	R	R
Present Value of Defined Benefit Obligation	111 610 129	106 550 885	115 586 597	104 369 540	98 549 847
Fair Value of Plan Assets	0	0	0	0	0
<b>Deficit</b>	<b>111 610 129</b>	<b>106 550 885</b>	<b>115 586 597</b>	<b>104 369 540</b>	<b>98 549 847</b>
Experienced adjustments on Plan Liabilities	0	0	0	0	0

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	1% Decrease	1% Increase
Effect on the aggregate of the current service cost and the interest cost	8 341 000	11 176 800
Effect on the defined benefit obligation	99 344 000	125 854 000

The municipality expects to make a contribution of R 5,967,048 to the Defined Benefit Plan during the next financial year.

Refer to Note 47 "Other Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

## 6.2 Ex-Gratia Pension Benefits

The Municipality provides pension benefits to all employees that are not members of the Pension - or Provident Funds, that have completed at least 10 years of service at the Council and have reached the age of 60.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr. Chanan Weiss of Arch Actuarial Consultants cc. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Ex-Gratia Pension Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service Members (Employees)	322	419
Continuation Members (Retirees)	37	39
<b>Total Members</b>	<b>359</b>	<b>458</b>

The liability in respect of past service has been estimated as follows:

In-service Members	0	0
Continuation Members	5 602 123	7 468 823
<b>Total Liability</b>	<b>5 602 123</b>	<b>7 468 823</b>

The contribution rate payable is as follows:

For continuation members, the member contribution is 70 % and the Council contribution is 30%. For current employees the contribution rate is 60/40.

The interest-cost for the next year is estimated to be R 410,235. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rates of Interest		
Discount Rate	7.65%	7.19%
Pension increase rate - pensioners	7.18%	6.08%
Net Effective Discount Rate	0.44%	1.05%

### ii) Mortality rates

The PA 90 ultimate Mortality table was used by the actuaries.

### iii) Normal retirement age

Expected Retirement Age is 60 or 65, depending on terms of employment contract.

The amounts recognised in the Statement of Financial Position are as follows:

Fair value of plan assets	0	0
Unrecognised Actuarial Gains / (Losses)	0	0
Present value of unfunded obligations	5 602 123	7 468 823
<b>Total Benefit Liability</b>	<b>5 602 123</b>	<b>7 468 823</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	0	0
Interest cost	523 784	592 402
Actuarial losses / (gains) recognised	-1 916 231	437 968
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 28)</b>	<b>-1 392 447</b>	<b>1 030 370</b>

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	7 468 823	6 896 414
Service costs	0	0
Interest cost	523 784	592 402
Benefits paid	-474 253	-457 961
Actuarial losses / (gains) recognised	-1 916 231	437 968
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>5 602 123</b>	<b>7 468 823</b>

Movements in the present value of the Defined Benefit Assets were as follows:

Balance at the beginning of the year	0	0
Contributions from the employer	474 253	457 961
Benefits paid	-474 253	-457 961
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>

The history of experienced adjustments is as follows:

	2013 R	2012 R	2011 R	2010 R	2009 R
Present Value of Defined Benefit Obligation	5 602 123	7 468 823	6 644 414	6 766 418	3 457 182
Fair Value of Plan Assets	0	0	0	0	0
<b>Deficit</b>	<b>5 602 123</b>	<b>7 468 823</b>	<b>6 644 414</b>	<b>6 766 418</b>	<b>3 457 182</b>
Experienced adjustments on Plan Liabilities	0	0	0	0	0

The effect of a 1% movement in the assumed rate of pension increase inflation is as follows:

	1% Decrease	1% Increase
Effect on the interest cost	510 333	538 827
Effect on the defined benefit obligation	5 399 719	5 828 758

The municipality expects to make a contribution of R 489,248 to the Defined Benefit Plan during the next financial year.

Refer to Note 47 "Other Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

## 7. NON-CURRENT PROVISIONS

Balance of Current Provisions at end of year  
Balance of Non-current Provisions at end of year  
Balance of Non-current Provisions at end of year

15 369 957	3 177 214
64 256 482	70 726 308
79 626 439	73 903 521

7.1. Provision for rehabilitation are reconciled as follows:

Provision for rehabilitation are reconciled as follows:

The movement in Non-current Provisions are reconciled as follows:

Landfill site

Balance at beginning of year

Contributions in current year

Rehabilitation expenditure during the year

Balance of Landfill site

61 734 416

58 913 771

58 913 771

3 973 025

9 962 820

-1 152 380

-4 165 570

61 734 416

58 913 771

Balance of Current Provisions for Rehabilitation at end of year

Balance of Non-current Provisions for Rehabilitation at end of year

Balance of Non-current Provisions for Rehabilitation at end of year

13 192 051

1 152 380

48 542 365

57 761 391

61 734 416

58 913 771

In terms of GRAP 19 a provision has been made for the net present value of the future rehabilitation cost as follows:

Wellington (Existing)

Wellington (Old)

Gouda

Saron

Hermon

Dal Josafat

Orleans

Boy Louw

Proposed rehabilitation

2012/2013

2011/2012

2020/2021

2020/2021

2015/2016

2014/2015

2018/2019

2017/2018

2016/2017

2013/2014

16 945 089

15 885 318

1 209 907

2 432 921

1 046 259

3 301 148

7 721 824

13 192 051

16 739 363

14 957 827

1 139 272

2 290 792

985 178

3 108 425

7 271 021

12 421 893

Jan Palm Consulting Engineers CC, a firm of specialist waste management consultants have been used to determine the valuation of due to their extensive experience within the field of waste management. Their independence from management is monitored as their services has been used for several years. The firm is registered with the South African Council of Engineers (registration no. 870047).

Based on the work provided by Jan Palm Consulting Engineers, an applicable inflation rate of 6.2% has been determined.

The funding required by the municipality to fund the rehabilitation has been assessed and based on the cost of capital on external loans and the loss of revenue from investments per the rates as disclosed in note 46, the municipality assessed the effected of discounting coupled with the future inflation rate to approximate the current cost of the expected rehabilitation cost as disclosed above.

Refer to note 39, "Restatement of prior year figures and errors" for details of the prior year error identified during the year. Also note that due to the larger area than initially expected the expected settlement of all major rehabilitations has been reassessed to the above mentioned dates.

## 7.2. Provision for Long Service Awards

Provision for Long Service Awards

Less: Transfer to Current Provisions

Total Non-current Provisions

The movement in Non-current Provisions are reconciled as follows:

Long Service Awards

Balance at beginning of year

Contributions in current year

Interest Cost

Over provision for contributions

Increase in provision (employee costs)

Expenditure incurred (benefits paid)

Actuarial Losses / (gains ) recognised

Over provision of the opening balance

17 892 023

14 989 750

17 892 023

14 989 750

-2 177 906

-1 852 895

15 714 117

13 136 855

14 989 750

11 505 679

1 813 254

896 000

905 915

988 000

0

0

-2 024 833

-1 460 242

2 207 927

3 060 313

0

0

17 892 023

14 989 750

-2 177 906

-1 852 895

15 714 117

13 136 855

Less: Transfer to Current Provisions

Balance of Non-current Provisions at end of year

Long Service Awards

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuation of the present value of the defined benefit provision was carried out at 30 June 2012 by Mr. Chanan Weiss of Arch Actuarial Consultants cc. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 1,682 employees were eligible for Long-services Awards.

The Future-service Cost for the ensuing year is estimated to be R 1,241,235, whereas the Interest Cost for the year after is estimated to be R 1,192,377.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate

Expected Rate of Salary Increase

Net Effective Discount Rate

7.08%

6.44%

6.73%

5.97%

0.33%

0.44%

The amounts recognised in the Statement of Financial Position are as follows:

Fair value of plan assets

Present value of unfunded obligations

Total Benefit Provision

0

0

17 892 023

14 989 750

17 892 023

14 989 750

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost

Interest cost

Past service cost

Actuarial Losses / (gains ) recognised

1 813 254

896 000

905 915

988 000

0

0

2 171 037

3 060 313

4 890 216

4 944 313

Total expense included in Employee Related Costs (Note 28)

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	14 989 750	11 505 679
Current service costs	1 813 264	886 000
Interest cost	905 915	988 000
Benefits paid	-2 024 833	-1 460 242
Actuarial Losses / (gains) recognised	2 207 927	3 060 313
<b>Balance at the end of the year</b>	<b>17 892 023</b>	<b>14 989 750</b>
<b>Total Current Provisions at end of the year</b>	<b>2 177 906</b>	<b>2 024 833</b>
<b>Total Non-current Provisions at end of the year</b>	<b>15 714 117</b>	<b>12 964 917</b>
<b>Total Provisions at the end of the year</b>	<b>17 892 023</b>	<b>14 989 750</b>

Movements in the present value of the Defined Benefit Assets were as follows:

Balance at the beginning of the year	0	0
Contributions from the employer	2 024 833	1 460 242
Benefits paid	-2 024 833	-1 460 242
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>

The municipality expects to make a contribution of R 2,177,906 to the defined benefit plan during the next financial year.

#### 8. CONSUMER DEPOSITS

Electricity and Water

25 925 779 22 138 506

Guarantees held in lieu of Electricity and Water Deposits

Guarantees held in lieu of Electricity and Water Deposits were R 14,145,034 ( 2012 : R 13,586,784 )

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

#### 9. Payables from exchange transactions

Trade Creditors	74 521 856	68 914 487
Staff Leave provision	21 282 893	17 695 745
Performance bonus provision	0	302 937
Payments received in advance	21 577 425	14 877 309
Other creditors	85 388 806	68 205 038
Val on Provision for Impairment	-11 852 796	-12 382 375
<b>Total Creditors</b>	<b>190 898 083</b>	<b>157 613 141</b>

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

The total liability in respect of leave amounts to R 21,262,893 as at 30 June 2013. The full amount is provided for.

#### 10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government

Equitable Share  
MIG/SMIF/RBIG Grants  
National Government : Budget Reform Programme ( FMG - Grant )  
Provincial Government : Provincial Highways  
Provincial Government : Housing  
Provincial Government : Other projects  
Other Institutions

21 294 163	23 294 660
0	4 908 626
5 174 993	5 063 063
0	0
0	0
11 237 129	8 077 003
845 462	1 236 907
4 036 579	4 009 061
3 640 845	2 128 756
1 689 931	1 487 638
520 099	510 304
1 430 814	130 814
24 935 008	25 423 416

Total Conditional Grants and Receipts

These amounts are separately invested in terms of section 12 of the MFMA. Refer note 26 for more detail of grants from National and Provincial Government

Refer to Appendix "D" for more detail on Conditional Grants.

#### 11. PROPERTY, PLANT AND EQUIPMENT

30 June 2013

	Cost	Accumulated Depreciation	Carrying Value
	R	R	R
Land and Buildings	1 017 403 149	25 653 718	991 749 431
Infrastructure	4 852 098 302	2 302 232 588	2 549 865 714
Community	189 146 556	39 846 472	149 300 084
Other	369 980 836	217 828 411	152 152 425
Leased Assets	0	0	0
Housing Rental Schemes	235 770 605	26 853 113	208 917 492
Capital Spares	13 676 375		13 676 375
<b>Total Property, Plant and Equipment</b>	<b>6 678 075 823</b>	<b>2 612 414 303</b>	<b>4 065 661 520</b>

Total Property, Plant and Equipment

30 June 2012

	Cost	Accumulated Depreciation	Carrying Value
	R	R	R
Land and Buildings	1 008 295 862	19 579 444	988 716 417
Infrastructure	4 664 885 861	2 202 115 940	2 462 769 921
Community	176 980 552	30 645 796	146 334 756
Other	351 415 441	194 487 343	156 928 098
Leased Assets	0	0	0
Housing Rental Schemes	235 770 605	18 528 496	217 242 109
Capital Spares	9 985 048		9 985 048
<b>Total Property, Plant and Equipment</b>	<b>6 447 293 369</b>	<b>2 465 357 020</b>	<b>3 981 936 350</b>

Total Property, Plant and Equipment

A reconciliation of the carrying amount at the beginning and end of the period is set out in detail in Appendices B.

Total Property, Plant and Equipment held by the municipality at 30 June 2013 comprised the amounts analyzed as above.

#### RECONCILIATION OF CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Infrastructure	Community	Housing	Other	Total (Excluding Capital Spares)
Carrying values as at 1 July 2011	992 984 784	2 387 796 031	133 753 190	56 918 351	160 954 415	3 712 406 771
Cost and revaluation	1 003 355 642	4 440 861 618	155 440 425	238 551 402	339 862 166	6 178 071 253
Accumulated depreciation	-13 781 846	-2 096 360 855	-21 831 052	-3 674 203	-178 903 728	-2 314 551 684
Acquisitions	8 071 961	224 004 243	21 540 627	0	15 430 654	269 047 485
Transfers/Adjustments	0	0	0	0	0	0
Depreciation	-5 797 599	-105 755 085	-8 830 688	-14 907 315	-18 669 851	-153 960 538
Impairment	0	0	0	0	0	0
Carrying value of disposals	-3 131 742	0	-4 556	-727 774	-791 143	-4 655 215
Cost	-3 131 742	0	-20 500	-780 796	-3 877 378	-7 810 417
Accumulated Depreciation	0	0	15 944	53 022	3 086 235	3 155 202
Carrying Values at 30 June 2012	988 716 417	2 462 749 921	146 314 756	217 242 109	156 928 098	3 971 951 302
Cost	1 008 295 861	4 684 865 861	176 960 552	235 770 605	351 415 442	6 437 308 321
Accumulated depreciation & impairment	-19 579 444	-2 202 115 940	-30 645 796	-18 528 496	-194 487 343	-2 465 357 019

#### RECONCILIATION OF CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Infrastructure	Community	Housing	Other	Total (Excluding Capital Spares)
Carrying values as at 1 July 2012	988 716 417	2 462 749 921	146 314 756	217 242 109	156 928 098	3 971 951 302
Cost and revaluation	1 008 295 861	4 684 865 861	176 960 552	235 770 605	351 415 442	6 437 308 321
Accumulated depreciation	-19 579 444	-2 202 115 940	-30 645 796	-18 528 496	-194 487 343	-2 465 357 019
Acquisitions	9 210 087	190 865 161	12 186 005	0	18 565 395	230 826 647
Transfers/Adjustments	0	0	0	0	0	0
Depreciation	-5 100 727	-103 749 368	-9 200 677	-8 324 617	-23 338 565	-149 713 954
Impairment	-973 547	0	0	0	-2 503	-976 050
Carrying value of disposals	-102 800	0	0	0	0	-102 800
Cost	-102 800	-3 632 720	0	0	0	-3 735 520
Accumulated Depreciation	0	3 632 721	0	0	0	3 632 721
Carrying Values at 30 June 2013	991 749 430	2 549 865 714	149 300 084	208 917 492	152 152 425	4 051 985 145
Cost and revaluation	1 017 403 148	4 852 098 302	189 146 556	235 770 605	369 980 836	6 664 399 448
Accumulated depreciation & impairment	-25 653 718	-2 302 232 588	-39 846 472	-26 853 113	-217 828 411	-2 612 414 303

#### 11.1 Land and Buildings carried at Fair Value:

Land and Buildings were revalued to fair value at during the prior financial period. The effective date of revaluation was 30 June 2011 and the valuation was performed by registered and independent valuers.

#### 11.2 Assets pledged as security:

No assets have been pledged as security.

#### 11.3 Impairment of Property, Plant and Equipment:

The municipality tested its items of Property, Plant and Equipment, Intangible assets, Investment property and Heritage assets for any potential impairment losses on assets.

Impairment losses amounting to R 975,050 were recognised during the year in the operating surplus and included in impairment losses in the Statement of Financial Performance as follows per class of asset

Infrastructure Assets	973 547	0
Other Assets: Motor Vehicles	0	0
Other Assets: Buildings	0	0
Other Assets: Equipment, Furniture and fittings	2 503	0
<b>Total impairments recognised</b>	<b>976 050</b>	<b>0</b>

No impairments were reversed in the current year, furthermore no impairment losses were recognised on revalued assets directly in the Statement of Net assets.

No material impairments were recognised related to a single asset during the financial year.

Impairment losses on the abovementioned assets exist predominantly due to the assets being damaged beyond repair, stolen, have been redundant or have been replaced (mostly in the case of infrastructure assets).

#### 11.4 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:

A Review of the useful lives and residual values of items of Property, Plant and Equipment have been performed. The change in the estimated useful life of various assets of the municipality has resulted in the following (increases)/decreases in depreciation

Infrastructure Assets	4 255 870	793 639
Other Assets: Motor Vehicles	0	0
Other Assets: Buildings	0	263 679
Other Assets: Equipment, Furniture and fittings	528 682	1 169 891
<b>Total Change in Estimate for Useful Life of Property, Plant and Equipment</b>	<b>4 784 552</b>	<b>2 227 209</b>

The change in estimates will result in an decrease of R 4,784,552 in the depreciation expense for the municipality over the next three financial years.

#### 11.5 Revaluation Surplus:

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

The Revaluation Surplus is reconciled as follows:

Balance at beginning of year	1 099 058 842	1 154 597 294
Fair value I.r.o. Investment Property	0	0
Property not previously accounted for	0	0
Asset Transfers from PPE to Investment property	0	0
Depreciation offset to Accumulated surplus	-9 203 015	-8 223 144
Asset Disposals/Transfers/adjustments	0	-49 315 308
<b>Balance at end of year</b>	<b>1 089 855 827</b>	<b>1 099 058 842</b>

#### 11.6 Reclassification of prior year assets between classes of PPE

Property, plant and equipment with a carrying amount of R 1 594 411 were reclassified between the classes of assets during the year.

12. INTANGIBLE ASSETS

As at 30 June 2013  
Website development costs  
Licences  
Computer Software and systems

Cost R	Accumulated Amortisation R	Carrying Value R
15 955 971	-7 875 199	8 080 772
769 954	-733 516	36 438
2 837 358	-2 143 887	693 470
12 348 659	-4 997 795	7 350 864

As at 30 June 2012  
Website development costs  
Licences  
Computer Software and systems

Cost R	Accumulated Amortisation R	Carrying Value R
11 568 572	(5 280 342)	6 288 230
769 954	-587 765	182 189
2 831 658	-1 727 048	1 104 610
7 966 960	-2 965 529	5 001 431

The movement in intangible assets are reconciled as follows:

Carrying value at the beginning of the year  
Cost  
Accumulated amortisation

2013	2012
6 288 230	4 584 697
11 568 572	8 492 872
-5 280 342	-3 908 175

Additions resulting from acquisitions  
Amortisation

4 387 399	3 075 700
-2 594 857	-1 372 167

Carrying value at the end of the year  
Cost  
Accumulated amortisation

2013	2012
8 080 772	6 288 230
15 955 971	11 568 572
-7 875 199	-5 280 342

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 30).

The amortisation method and useful life of Intangible assets is set out in the accounting policy note of Intangible assets.

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

13. INVESTMENT PROPERTY

Vacant Land  
Land and Buildings

0	0
93 057 000	86 063 700
93 057 000	86 063 700

The fair model is applied to Investment property.  
Criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of Investment property.

The movement in investment properties are reconciled as follows:

Carrying value at the beginning of the year  
Fair value

86 063 700	86 063 700
86 063 700	86 063 700

Plus : Additions resulting from transfers from Property Plant & Equipment  
Additions resulting purchase of new building  
Additions resulting revaluation of property to fair value

0	0
0	0
6 993 300	0

Minus: Transfers resulting from Investment property to PPE

0	0
---	---

Carrying value at the end of the year  
Fair value

93 057 000	86 063 700
93 057 000	86 063 700

Method of Asset Valuation 2013

The date of valuation was on 30 June 2013  
Each property has been identified and inspected and revalued. Each of the three main methods (investment approach, direct comparison and cost) of valuing property has been adopted depending on the specific property.  
A register containing the information required by section 63 of the Municipal management Finance Act is available for inspection at the registered offices of the municipality.

Revaluation of all Investment Property was performed by an accredited valuator Mr E Marais of Erik Marais and Associates (T/A Rhode Valuations Wellington) Reg No 1988/011175/23)

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property  
Direct Operating Expenses - incurred to generate rental revenue  
Direct Operating Expenses - incurred which did not generate rental revenue

113 744	97 849.00
-	-
-	-

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.



#### 14 HERITAGE ASSETS

At Revaluation amount  
At Cost less Accumulated Impairment Losses

33 841 899	33 841 599
62 037	62 037
<u>33 903 935.81</u>	<u>33 903 635.81</u>

The movement in Heritage Assets is reconciled as follows:

	Historical and Natural Significant Land and Buildings	Paintings and other	Total
Carrying values at 30 June 2013			
Cost	33 841 599	62 037	33 903 636
Accumulated Revaluation	-	62 037	62 037
Accumulated Impairment	33 841 599	-	33 841 599
Movements during the year	-	-	-
Transfers/Adjustments	-	-	-
	300		300
Carrying values at 30 June 2012			
Cost	33 841 899	62 037	33 903 936
Accumulated Revaluation	-	62 037	62 037
Accumulated Impairment Losses	33 841 899	-	33 841 899
	Historical and Natural Significant Land and Buildings	Paintings	Total
Carrying values at 1 July 2012			
Cost	33 841 599	62 037	33 903 636
Accumulated Revaluation	-	62 037	62 037
Accumulated Impairment	33 841 599	-	33 841 599
Carrying values at 1 July 2012			
Cost	33 841 599	62 037	33 903 636
Accumulated Revaluation	-	62 037	62 037
Accumulated Impairment Losses	33 841 599	-	33 841 599

Included in the historical and naturally significant land and building above is amongst others the Paarl Mountain (Paarlberg) and the Paarl Arboretum. Paarl Mountain is particularly known for its mountain or "Paarl Rock". The huge granite rock is formed by three rounded outcrops that make up Paarl Mountain and is the second largest granite outcrop in the world and forms part of the Nature Reserve. The site is a Provincial Heritage Site (SAHRA Nr 9/2/069/0028).

The Paarl Arboretum is situated on the eastern bank of the Berg River, is 2.8 km long and occupies approximately 31 ha. Divided into 5 "continents" a unique feature is that trees and shrubs are grouped according to continents of origin. In excess of 2 600 trees and shrubs, entering some 650 different species can be observed.

The following buildings owned by the Municipality have been declared Provincial Heritage sites:

De Oude Woning, 214 Main Street, Paarl (SAHRA Nr 9/2/069/0105) dating from the late 1780's.  
The Old Dutch Reformed Church Parsonage (now the Paarl Museum), Van der Lingen plein, Paarl (SAHRA Nr 9/2/069/0071). The Parsonage was built in 1787.  
Paarl Town Hall, 258 Main Street, Paarl (SAHRA Nr 9/2/069/0134)  
Old Market Hall, Main Street, Wellington (SAHRA Nr 9/2/106/0005) dating from 1840.  
Ouma Granny's House, 37 Fontein Street, Wellington (SAHRA Nr 9/2/105/0012), dating to the Victorian era.  
Coronation Arch, Victoria Jubilee Park, Church Street, Wellington (SAHRA Nr 9/2/106/0018/1), dating to 1902.

The municipality, has taken advantage of the transitional provisions in Directive 3 from the Accounting Standards Board with the implementation of GRAP 103. The municipality is currently in a process of identifying all Heritage Assets and have it valued in terms of GRAP 103 and it is expected that this process will be completed for inclusion in the 2014/15 Annual Financial Statements. Although items previously recognised as property, plant and equipment assets were reclassified as heritage assets, the municipality will during the remaining periods for which it can utilise the transitional provisions, evaluate the values at which these items were initially recognised as property, plant and equipment to the value thereof in regards to its significance as heritage assets.

Heritage Assets have been restated to correctly classify amounts held for Heritage Assets in terms of GRAP 103, previously included in Property, Plant and Equipment. Refer to Note 39.2 on "Change in Accounting Policy" for details of the restatement.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Heritage Assets

#### 14.1 Significant Heritage Assets not Recognised

As the Municipality has opted to take advantage of the transitional provisions in Directive 3, it has not yet recognised and measured the following heritage assets:  
8 Mayoral and deputy Mayoral Chairs.  
Ox wagons owned by the Municipality and housed (on loan) at the De Poort Centre.  
Various memorabilia items of historical significance related to the towns within the Drakenstein Municipality.

#### 15 INVESTMENTS

Listed		
Eskom stock at amortised cost		
Total listed investments	153 005	160 822
(Available for sale)	<u>153 005</u>	<u>160 822</u>
Unlisted		
Bank Deposits		
Other Short-term Deposits		
Total unlisted investments	70 633 984	102 165 057
	<u>70 633 984</u>	<u>102 165 057</u>
The fair value of the listed investments is estimated at R 153,004 (2012: R 160,821.81). Fair value is determined based on discounted cash flow analysis, at a discounted rate of 7.7250%, (2012 : 7.21%)		
Total		
Less: current portion maturing within next twelve months - refer note 21	70 785 589	102 325 879
Total (non-current)	<u>-70 833 984</u>	<u>-102 165 057</u>
	<u>153 005</u>	<u>160 822</u>

Listed Shares are investments with a maturity period of more than 12 months and earn fixed interest rates of 13.5% per annum.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

16 LONG-TERM RECEIVABLES

As at 30 June 2013

	Gross Balances R	Impairment Provision R	Net Balances R
Loans to employees	0	0	0
Sporting bodies 1	8 123	0	8 123
Public organisations	77 834	0	77 834
Housing selling scheme loans	4 532 438	-2 887 533	1 644 905
	<u>4 618 395</u>	<u>-2 887 533</u>	<u>1 730 862</u>

Less: Current Portion transferred to Current Receivables:-

Loans to employees			291 916
Sporting bodies 1			0
Public organisations			15 773
Housing selling scheme loans			0
			<u>276 143</u>

Total Long-term Receivables

1 438 946

As at 30 June 2012

	R	R	R
Loans to employees	0	0	0
Sporting Bodies 1	31 553	0	31 553
Public organisations	239 806	-50 873	188 933
Housing selling scheme loans	5 029 111	-3 663 277	1 365 834
	<u>5 300 470</u>	<u>-3 714 150</u>	<u>1 586 320</u>

Less: Current Portion transferred to Current Receivables:-

Sporting bodies 1			303 485
Public organisations			0
Housing selling scheme loans			30 071
			<u>8 434</u>
			<u>263 979</u>

Total Long-term Receivables

1 282 836

**Sporting bodies**

To encourage sporting bodies to contribute to the capital expenditure of sporting facilities, loans were made to provide the necessary financial assistance. These loans attract interest at prime rate less 2.5% per annum and are repayable over a maximum period of 20 years.

**Public Organisations**

Loans to public organisations are granted in terms of the national housing policy. The applicable interest rate and loan repayment periods are determined by the National Minister of Housing. At present these loans attract interest at 1%(buildings) and 11%(infrastructure) and are repayable over 30 years.

**Housing selling scheme loans**

Housing loans are granted to qualifying individuals in terms of the national housing policy. These loans attract interest, as determined by the National Minister of Housing, currently 13.5% per annum and are repayable over 20 years.

**16.1 Reconciliation of the Provision for Impairment**

Balance at beginning of year	3 714 151	1 593 718
Impairment Losses recognised	826 818	0
Impairment Losses reversed	0	2 120 433
Balance at end of year	<u>2 887 533</u>	<u>3 714 151</u>

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

17 INVENTORY

Consumable stores	4 351 965	5 281 827
Maintenance materials	35 224 797	39 418 811
Water	2 859 187	2 503 851
Spare parts for plant & Equipment	159 436	129 240
Plants held for resale	850 960	811 925
Inventory BNG Houses	17 186 814	15 580 835
Less: inventory held as spare parts for infrastructure assets	-13 676 375	-9 985 048
Total Inventory	<u>46 936 784</u>	<u>53 541 441</u>

No inventories were pledged as security for liabilities.

Inventories of R 13,676,376 ( 2012 : R9,985,048) are held as spare parts for infrastructure assets and have been transferred to Property, Plant and Equipment.

Included in the Inventory above is BNG houses still in process of construction, which on completion will be transferred to the beneficiaries. Although these houses are entirely funded by the National Department of Human Settlements, through the Western Cape Department of Human Settlements, the Municipality is regarded as a principle in terms of GRAP and is therefore obliged to disclose any BNG in the process of construction as well as completed houses still under the control of the Municipality as inventory up to the point of transfer to the allocated beneficiary whereafter the cost is expensed through the Statement of Financial Performance.

18. VAT

VAT Receivable	12 850 560	19 836 097
Total Vat	<u>12 850 560</u>	<u>19 836 097</u>

Nett VAT receivable. Only once payment is received from debtors is VAT paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to the VAT Act. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

As at 30 June 2013

Service debtors  
Trade: Electricity  
Water  
Waste Management (solid waste)  
Waste Water Management (sewerage and sanitation)  
Housing Rental Schemes  
Housing Selling Schemes  
Total

Gross Balances	Provision for Impairment	Net Balance
258 142 687	-103 745 195	152 397 492
128 013 742	-10 670 594	117 343 148
58 143 505	-40 105 494	18 038 012
45 677 717	-34 987 004	10 690 713
24 307 723	-17 982 103	6 325 619
15 710 788	-13 886 414	1 824 374
1 665 561	-1 522 005	143 556
273 519 036	-119 153 613	154 365 422

As at 30 June 2012

Service debtors  
Trade: Electricity  
Water  
Waste Management (solid waste)  
Waste Water Management (sewerage and sanitation)  
Housing Rental Schemes  
Housing Selling Schemes  
Total

Gross Balances	Provision for Impairment	Net Balance
203 784 727	-107 699 807	96 084 920
75 172 021	-9 248 433	65 923 588
56 500 531	-41 160 190	15 340 341
47 180 404	-38 129 132	9 051 272
24 931 771	-19 152 052	5 779 719
22 701 347	-20 190 063	2 511 284
2 381 435	-2 143 582	237 853
228 867 509	-130 023 452	98 844 057

The average credit period for Consumer Debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter penalties of 10% and interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The average age of these receivables is 59.0 days (2012: 46.2 days).

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of Consumer Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer Debtors as well as the current payment ratio's of the municipality's Consumer Debtors.

## Analysis of Consumer Debtors Age in Days

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
As at 30 June 2013	R	R	R	R	R	R
Electricity	90 664 215	1 153 457	25 942 878	537 983	1 358 954	348 000
Water	9 890 793	819 382	3 082 035	701 293	2 849 266	732 701
Waste Management (solid waste)	5 295 284	943 148	2 200 260	422 944	1 730 689	206 444
Waste Water Management (sewerage and sanitation)	3 476 540	495 881	1 259 785	321 879	859 977	114 610
Housing Rental Schemes	1 359 750	850 900	1 139 156	725 775	879 870	542 471
Housing Selling Schemes	62 848	23 979	44 052	15 127	38 082	13 084
Total	110 749 430	4 286 547	33 667 965	2 725 001	7 516 838	1 957 290

As at 30 June 2013

	Past due		Total	Total impaired		Total - Past due but not impaired
	91 - 120+	91 - 120+ impaired		R	R	
Electricity	10 047 894	8 631 153	128 013 742	10 670 594	27 832 391	348 000
Water	42 521 412	37 852 117	58 143 505	40 105 493	8 966 602	732 701
Waste Management (solid waste)	36 451 484	33 414 469	45 677 717	34 987 004	6 338 577	206 444
Waste Water Management (sewerage and sanitation)	18 711 420	17 049 933	24 307 723	17 982 103	3 344 760	114 610
Housing Rental Schemes	12 332 013	11 767 268	15 710 788	13 886 414	1 315 525	542 471
Housing Selling Schemes	1 520 580	1 469 835	1 665 561	1 522 005	104 556	13 084
Total	121 584 804	110 184 775	273 519 036	119 153 613	47 902 541	1 957 290

## Analysis of Consumer Debtors Age in Days

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
As at 30 June 2012	R	R	R	R	R	R
Electricity	61 280 364	1 201 802	2 637 084	400 081	1 345 666	210 978
Water	7 657 121	840 842	2 030 585	583 387	44 470 605	633 312
Waste Management (solid waste)	4 798 317	1 438 587	2 200 162	1 084 054	1 950 272	985 880
Waste Water Management (sewerage and sanitation)	3 167 912	669 578	1 071 582	458 982	1 000 177	424 084
Housing Rental Schemes	1 175 519	756 189	986 684	641 782	990 994	638 656
Housing Selling Schemes	72 153	37 058	44 480	19 468	41 851	17 409
Total	78 151 386	4 943 856	9 282 193	3 287 754	7 359 544	2 910 319

As at 30 June 2012

	Past due		Total	Total impaired		Total - Past due but not impaired
	91 - 120+	91 - 120+ impaired		R	R	
Electricity	9 908 907	7 435 772	75 172 021	9 248 433	5 844 825	210 978
Water	44 470 605	39 002 650	56 500 531	41 160 190	8 524 062	633 312
Waste Management (solid waste)	38 231 652	34 620 610	47 180 404	38 129 132	5 691 542	985 880
Waste Water Management (sewerage and sanitation)	19 692 101	17 599 409	24 931 771	19 152 052	3 281 386	424 084
Housing Rental Schemes	19 548 170	18 153 437	22 701 347	20 190 063	2 091 953	638 656
Housing Selling Schemes	2 222 951	2 069 647	2 381 435	2 143 582	202 758	17 409
Total	134 074 385	118 881 524	228 867 509	130 023 452	26 636 525	2 910 319

## Reconciliation of impairment provision

Balance at beginning of the year  
Contributions to provisions  
Transfers to/(from) provisions  
Balance at 30 June 2013

	2013	2012
R	R	R
145 948 732	127 336 972	
-8 390 819	18 509 760	
0	0	
137 555 913	145 946 732	

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

Included in the Allowance for Doubtful Debts are individually impaired Consumer Debtors with a balance of R 3,872,292 (2012: R 3,211,165) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these Consumer Debtors and the present value of the expected liquidation proceeds. The municipality holds no collateral over these balances.

# 19.1 CONSUMER DEBTORS FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2013

	Gross Balances	Provision for Impairment	Net Balance
Service debtors	37 268 124	-18 402 299	18 865 825
Rates	37 268 124	-18 402 299	18 865 825
Total	37 268 124	-18 402 299	18 865 825

As at 30 June 2012

	Gross Balances	Provision for Impairment	Net Balance
Service debtors	34 400 565	-15 923 280	18 477 285
Rates	34 400 565	-15 923 280	18 477 285
Total	34 400 565	-15 923 280	18 477 285

## Analysis of Consumer Debtors Age in Days

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
R			R		R	
Rates	11 183 999	550 155	2 166 737	301 943	1 481 435	285 598
Total	11 183 999	550 155	2 166 737	301 943	1 481 435	285 598

  

Past due		Total	Total impaired	Total - Past due but not impaired
91 - 120+	90 - 120+ impaired			
R		R		
22 435 953	17 263 604	37 268 124	18 402 299	8 231 961
22 435 953	17 263 604	37 268 124	18 402 299	8 231 961

## Analysis of Consumer Debtors Age in Days

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
R			R		R	
Rates	10 381 958	123 504	2 231 257	106 329	1 284 831	77 260
Total	10 381 958	123 504	2 231 257	106 329	1 284 831	77 260

  

Past due		Total	Total impaired	Total - Past due but not impaired
91 - 120+	90 - 120+ impaired			
R		R		
20 502 518	15 616 187	34 400 564	15 923 280	8 218 830
20 502 518	15 616 187	34 400 564	15 923 280	8 218 830

# 20 OTHER DEBTORS FROM EXCHANGE TRANSACTIONS

Sundries	11 980 015	9 063 851
Sporting bodies	10 572	18 856
Recoverable Loans	163 714	125 858
Less : Provision for Impairment	-6 967 267	-5 138 624
Total Other Debtors from exchange transactions	5 187 033	3 069 941

# 20.1 OTHER DEBTORS FROM NON-EXCHANGE TRANSACTIONS

Grants & Subsidies	30 906 693	10 099 428
Payments in advance	8 865 862	5 493 262
Fruitless and wasteful expenditure	14 475	123 463
Total Other Debtors from non-exchange transactions	39 787 030	15 706 153

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

The claims instituted against the municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for Other Debtors is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Other Debtors.

The management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

The fair value of Other Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

## Reconciliation of Impairment provision

Balance at beginning of the year	6 138 624	5 228 283
Transfers to/from provisions	828 643	910 341
Balance at 30 June 2013	6 967 267	6 138 624

The impairment provision was calculated after individually assessing other debtors and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios.

The provision for doubtful debts on other debtors exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

## 21 CASH AND CASH EQUIVALENTS (BANK AND CASH)

The Municipality has the following bank accounts: -

Primary Account  
Secondary Account  
Traffic Fines Bank account

14-9812-1861	64 933 345	84 169 243
14-9812-1853	0	0
620-715-265-14	11 199	18 639
	<u>64 944 544</u>	<u>84 188 082</u>

All accounts are with Nedbank except the traffic fines account which is with First National Bank. All account balances are cleared on a daily basis to the main account. The municipality have an overdraft facility of R5 million with Nedbank but did not utilise it for this financial year.

Bank statement balance at beginning of year  
Bank statement balance at end of year  
Cash book balance at beginning of year

84 188 082	16 407 455
<u>64 933 345</u>	<u>84 188 082</u>
<u>9 777 399</u>	<u>10 146 428</u>

Petty Cash / Float

13 700 14 700

Cash at bank  
Cashbook overdrawn  
Cash book balance at end of year

64 944 544	84 188 082
254 104	-74 410 683
<u>65 198 648</u>	<u>9 777 399</u>

Short term Investment deposits.

70 633 984 102 165 057

TOTAL CASH AND CASH EQUIVALENTS

135 846 333 111 957 156

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments less than 12 months.

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

INSTITUTION	ACCOUNT NUMBER	ACCOUNT TYPE	2013	2012
ABSA	9205788612	CALL ACCOUNT	1 346 961	1 283 696
ABSA	9058075162	CALL ACCOUNT	22 202 899	21 579 646
ABSA	2072185273	FIXED DEPOSIT		4 500 000
ABSA	2072268452	FIXED DEPOSIT		5 000 000
			<u>23 549 850</u>	<u>32 363 332</u>
FIRST NATIONAL BANK	62188494894	CALL ACCOUNT	1 145 917	1 101 479
			<u>1 145 917</u>	<u>1 101 479</u>
INVESTEC	1400-020170-500	CALL ACCOUNT	21 864 706	5 528 741
INVESTEC	1400-020170-451	FIXED DEPOSIT	0	5 000 000
INVESTEC	1400-020170-451	FIXED DEPOSIT	0	7 000 000
			<u>21 864 706</u>	<u>17 528 741</u>
NEDBANK	03-7881526373-052	CALL ACCOUNT	12 589 678	650 541
NEDBANK	03-7881526373-132	FIXED DEPOSIT	1 000 000	1 000 000
NEDBANK	03-7881526373-156	FIXED DEPOSIT	5 000 000	6 000 000
NEDBANK	03-7881526373-155	FIXED DEPOSIT	4 000 000	9 000 000
NEDBANK	03-7881526373-154	FIXED DEPOSIT	0	6 000 000
			<u>23 589 678</u>	<u>22 650 541</u>
STANDARD BANK	78-7583000-001	CALL ACCOUNT	67 765	66 515
STANDARD BANK	78-7583000-014	CALL ACCOUNT	416 068	1 374 746
STANDARD BANK	78-7583000-028	FIXED DEPOSIT	0	5 500 000
STANDARD BANK	78-7583000-030	FIXED DEPOSIT	0	8 093 710
STANDARD BANK	78-7583000-029	FIXED DEPOSIT	0	4 046 855
			<u>483 833</u>	<u>19 081 826</u>
ESKOM	E170	STOCK	153 005	160 822
			<u>153 005</u>	<u>160 822</u>
TOTAL INVESTMENTS			<u>70 786 989</u>	<u>92 886 741</u>

## 22 PROPERTY RATES

Actual  
Residential  
Agricultural  
Commercial  
State  
Less : Income forgone  
Total Property Rates

123 740 436	115 278 864
37 090 100	43 365 858
47 398 900	34 075 875
18 732 428	17 201 110
<u>-48 683 712</u>	<u>-44 187 662</u>
<u>178 296 151</u>	<u>165 731 845</u>

Valuations as at July 2009

Residential  
Agricultural  
Commercial  
State  
Total Property Valuations

21 341 654 109	21 351 238 159
6 413 076 800	4 877 196 599
4 844 381 349	6 316 792 300
<u>1 272 583 257</u>	<u>1 271 353 257</u>
<u>33 871 695 515</u>	<u>33 816 580 315</u>

General Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A uniform rate for the same class and type of property was applied with the implementation of the property rates act. A rate on different categories was applied to property valuations to determine assessment rates. Rebates of 50% are applied to pensioners. A discount of 20% was granted to the state institutions.

Rates are levied monthly on property owners and are payable the 7th of each month for monthly rate payers of Paarl and the 15th for Wellington and other areas and 30th September for annual payers. Interest is levied at the prime rate on outstanding rates amounts.

## 23 SERVICE CHARGES

Sale of Electricity  
Sale of Water  
Waste Management (solid waste)  
Waste Water Management (sewerage and sanitation)  
Other  
Less: Income forgone  
Total Service Charges

684 428 779	593 244 423
124 898 974	103 155 728
72 595 729	66 639 502
51 418 248	48 179 976
<u>24 324</u>	<u>24</u>
<u>943 164 053</u>	<u>811 219 653</u>
<u>-52 684 300</u>	<u>-56 042 976</u>
<u>890 479 753</u>	<u>755 176 677</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

24. RENTAL OF FACILITIES AND EQUIPMENT

Operating Lease Rental Revenue:		
- Investment Property	113 744	97 849
- Other Rental Revenue	18 877 349	18 676 137
<b>Total Rentals</b>	<b>18 991 092</b>	<b>18 773 986</b>

25. INTEREST AND DIVIDENDS EARNED

Interest - external investments	6 105 540	5 322 775
Dividends - stock	15 120	15 120
Interest - outstanding debtors	10 922 408	9 063 784
<b>Total Interest Receivable</b>	<b>17 043 067</b>	<b>14 401 679</b>

26. GOVERNMENT GRANTS AND SUBSIDIES

Grants from Operational	142 884 072	110 383 380
Grants from Capital	56 630 809	66 430 669
	<b>199 514 881</b>	<b>176 814 029</b>
Equitable Share	74 305 626	64 079 864
Other	8 196 598	5 238 843
Operational grants	<b>82 502 224</b>	<b>69 319 707</b>
Conditional grants	117 012 657	107 494 321
MIG/SMIF/RBIG Grants	41 988 072	58 502 052
National Government : Budget Reform Programme	1 250 000	0
Provincial Government : Highway claims	231 000	59 209
Provincial Government : Housing	70 515 140	42 375 298
Provincial Government : Other projects	3 048 445	6 557 762
<b>Total Government Grant and Subsidies</b>	<b>199 514 881</b>	<b>176 814 028</b>

26.1 Equitable Share

Balance unspent at beginning of year	-4 908 626	-6 512 490
Current year receipts	-69 397 000	-62 478 000
Conditions met - transferred to revenue	74 305 626	64 079 864
Conditions still to be met - transferred to liabilities (refer note 10)	<b>0</b>	<b>-4 908 626</b>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy equal to R190 for the basic charges of Electricity, Refuse Removal, Sewerage and Water Services, the subsidy is adjusted as tariffs increase. All residential households receive 10 kl water free every month. Indigent households receive 100 kWh electricity free every month.

26.2 MIG/SMIF Grants

Balance unspent at beginning of year	-5 063 065	-3 193 220
Current year receipts	-42 080 000	-60 371 895
Conditions met - transferred to revenue	41 988 072	58 502 052
Conditions still to be met - transferred to liabilities (refer note 10)	<b>-5 174 993</b>	<b>-8 063 063</b>

This grant was used to construct infrastructure assets for the Municipality. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

26.3 National Government : Budget Reform Programme

Balance unspent at beginning of year	0	-169 731
Current year receipts	-1 250 000	-1 250 000
Conditions met - transferred to revenue	1 250 000	0
Transferred to Equitable Share	0	1 419 731
Conditions still to be met - transferred to liabilities (refer note 10)	<b>0</b>	<b>0</b>

This grant received from National Government are for operational and capital expenditure projects related to budget reform and implementation of the MFMA. Other than the unspent amount the conditions of the grant have been met. Funds withheld.

26.4 Provincial Health Subsidies

Nothing to report on

26.5 Provincial Government : Highway claims

Balance unspent at beginning of year	0	0
Current year receipts	-231 000	-59 209
Conditions met - transferred to revenue	231 000	59 209
Conditions still to be met - transferred to liabilities (refer note 10)	<b>0</b>	<b>0</b>

The Municipality received various grants from PAWC for operational projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

26.6 Provincial Government : Housing

Balance unspent at beginning of year	-8 077 003	-8 978 771
Current year receipts	-73 524 514	-41 473 530
Conditions met - transferred to revenue	70 515 140	42 375 298
Conditions still to be met - transferred to liabilities (refer note 10)	<b>-11 386 376</b>	<b>-8 077 003</b>

These grants received from Provincial Government are for the construction of houses. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

26.7 Provincial Government : Other projects

Balance unspent at beginning of year	-1 236 907	-1 772 222
Current year receipts	-2 657 000	-6 379 717
Conditions met - transferred to revenue	3 048 445	6 557 762
Transferred to Equitable Share	0	357 269
Conditions still to be met - transferred to liabilities (refer note 10)	<b>-845 462</b>	<b>-1 236 908</b>

These grants received from Provincial Government are for operational and capital expenditure such as, restructuring and other. Other than the unspent amount, the conditions of the grant have been met. Funds withheld.

26.8 Other institutions

Balance unspent at beginning of year	-8 137 814	-5 952 834
Current year receipts	-9 890 754	-5 704 747
Conditions met - transferred to revenue	8 196 598	5 238 843
Reimbursement of guarantees and levy's	225 462	279 720
Conditions still to be met - transferred to liabilities (refer note 10)	<b>-7 606 509</b>	<b>-6 137 818</b>

These grants received from other institutions are for operational and capital expenditure projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.



27 OTHER INCOME

Admin charges	1 298 602	1 106 306
Actuarial gains	1 915 805	0
Inventory surpluses	347 128	0
Camping coupons	434 488	427 507
Camping fees	385 382	454 977
Burial fees	1 294 387	1 086 830
Building inspection fees	3 457 330	2 167 804
Fair value adjustments on Investment property	4 313 800	0
Electricity: New connection fees	4 168 459	2 341 066
Entrance fees	1 082 143	887 221
Garden refuse removal	28 908	25 927
Legal costs recovered	188 384	427 871
Sundry Income	3 145 142	2 907 872
Water: New Connection fees	622 478	370 506
Other	3 660 529	2 935 893
	<u>26 343 067</u>	<u>15 139 780</u>

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 23 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

28. EMPLOYEE RELATED COSTS

Salaries and Wages	232 976 358	229 939 169
Social contributions - UIF, pensions and medical aid etc.	51 414 708	42 905 850
Ex Gratia Allowances - Pensioners	0	0
Travel, motor car, accommodation, subsistence and other allowances	15 078 386	12 510 909
Housing benefits and allowances	2 049 404	2 122 709
Overtime payments	15 967 831	13 901 978
Contribution - Furniture Removal	28 550	0
Performance bonus	0	492 434
Workman Compensation	2 851 419	2 664 870
Contribution to leave reserve	4 752 241	3 639 729
Defined Benefit Plan Expense: Post Employment Health Care Benefits	11 326 427	-3 135 547
Current Service Cost	1 899 338	2 743 617
Loss on actuarial valuations	1 704 923	0
(Gains) on actuarial valuations	0	-15 808 053
Over / (Under) provisions on contributions	0	0
Interest Cost	7 722 166	9 928 899
Defined Benefit Plan Expense: Ex Gratia Pension Benefits	523 358	1 030 370
Current Service Cost	0	0
Loss on actuarial valuations	-1 916 231	437 968
(Gains) on actuarial valuations	1 915 805	0
Over / (Under) provisions on contributions	0	0
Interest Cost	523 784	592 402
Defined Benefit Plan Expense: Long Service Awards	4 927 106	4 944 313
Current Service Cost	1 813 264	896 000
Loss on actuarial valuations	2 207 927	3 060 313
(Gains) on actuarial valuations	0	0
Over / (Under) provisions on contributions	0	0
Interest Cost	905 915	988 000
Expenditure Recharged	341 895 787	311 016 783
Recharged to repairs and maintenance	-599 639	-1 505 775
Recharged to capital projects	0	0
Total Employee Related Costs	<u>341 296 148</u>	<u>309 511 008</u>

No advances were made to employees.

# Remuneration of Executives

	Total	Annual Salary	Performance Bonus	Housing Allowance	Acting Allowance	Setting Allowance	Backpay	Leave	Car Allowance	Social Contribution	Cell Allowance
	R	R	R	R	R	R	R	R	R	R	R
2013											
Mettler J (Municipal Manager)	1 283 970	1 198 856	0	0	0	0	18 501	0	63 900	1 713	0
Carstens J (Chief Financial Officer)	1 105 969	788 289	0	32 000	0	0	0	0	98 695	188 995	0
Matthee T (Executive Director Social Services)	967 947	753 381	40 193	0	0	0	16 328	0	122 250	35 816	0
De Beer A (Executive Manager Corporate Services)	1 146 350	1 004 437	0	0	0	0	0	0	139 200	1 713	0
Naidoo P (Executive Director Strategic Services)	877 101	707 812	40 789	0	0	0	16 571	0	98 758	12 172	0
Coetzee LP (Executive Director Infrastructure)	620 462	431 051	100 482	0	0	0	16 328	0	55 000	17 591	0
Adam A (Executive Manager Planning and Economic Development)	99 115	97 917	0	0	0	0	0	0	0	0	0
	6 100 914	4 983 733	181 464	32 000	0	0	67 728	0	576 791	255 148	1 050
Remuneration of Executives											
2012											
Kabanyane ST (Municipal Manager)	1 243 024	632 642	95 574	0	0	0	23 253	234 522	90 000	156 932	0
Mettler J (Municipal Manager)	300 000	284 626	0	0	0	0	0	0	15 000	374	0
Petersen CM (Executive Director Finance)	989 898	587 933	78 904	16 000	0	0	19 197	157 381	99 000	47 483	0
Carstens J (Executive Director Finance)	230 000	114 228	0	0	0	0	0	0	16 400	27 372	0
Matthee T (Executive Director Social Services)	1 035 720	799 184	78 903	0	0	0	19 197	0	146 700	39 736	0
Mrai KH (Executive Director Corporate Services)	1 132 865	685 069	80 073	5 317	0	0	87 329	124 008	121 897	29 172	0
Naidoo P (Executive Director Strategic Services)	1 089 809	850 486	80 075	0	0	0	19 482	0	133 008	16 758	0
Coetzee LP (Executive Director Infrastructure)	1 083 721	852 123	78 904	0	0	0	19 197	0	132 000	1 497	0
	7 183 057	4 806 311	492 433	21 317	0	56 000	187 656	516 011	764 005	329 324	0
Remuneration of Councillors											
Executive Mayor											
Deputy Executive Mayor											
Speaker											
Whip											
Councillors											
Executive Mayor committee members											
Total Councillors Remuneration											
In-kind Benefits											
The Executive Mayor, Deputy Executive Mayor, Speaker, and Mayoral Committee members are employed full-time. Each is provided with an office, administrative and secretarial support at the cost of the Council.											
The Executive Mayor and Deputy Mayor and other full-time Mayoral Committee members have access to Council owned vehicles for ceremonial and official functions.											
Executive Committees Councillors are provided with work stations which are appropriately equipped.											

690 159	664 183
556 101	527 114
563 095	527 114
522 911	485 347
10 044 777	9 541 674
5 284 370	4 908 241
17 841 423	16 653 674

Certification by the Municipal Manager:

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Signed: Municipal Manager

<b>29 IMPAIRMENT OF FINANCIAL ASSETS</b>		
Bad Debts		
Contribution to Impairment Provision	47 965 166	27 833 705
Contribution from Impairment provision	-56 353 960	-3 419 386
Contribution to housing development fund	156 052	301 974
Bad debts written-off	56 353 960	3 419 386
	<b>48 121 218</b>	<b>28 135 679</b>
<b>30 DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	149 713 853	155 599 971
Impairment Losses	976 050	0
Amortisation: Intangible Assets	2 594 857	1 372 167
Total Depreciation and Amortisation	<b>153 284 860</b>	<b>156 972 138</b>
<b>31. IMPAIRMENT LOSSES</b>		
<b>31.1 Impairment Losses on Fixed Assets</b>		
Impairment Losses Recognised:		
Property, Plant and Equipment	976 050	0
Investment Property	0	0
Total Impairment Losses	<b>976 050</b>	<b>0</b>
<b>32 INTEREST PAID</b>		
Long-term liabilities	49 275 660	36 853 855
Finance leases	0	0
Total Interest on External Borrowings	<b>49 275 660</b>	<b>36 853 855</b>
The weighted average capitalisation rate on funds borrowed generally is 11.28% per annum (2012 11.19% per annum).		
<b>33. BULK PURCHASES</b>		
Electricity	447 788 729	407 562 586
Water	18 705 613	22 089 050
Total Bulk Purchases	<b>466 494 342</b>	<b>429 651 636</b>
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the City of Cape Town		
<b>34. GRANTS AND SUBSIDIES PAID</b>		
Donation: Animal protection - SPCA	240 000	111 436
Donation: Awards granted during the year	92 953	109 410
Donation: Paarl Museum	42 802	40 379
Donation: R.D.P (Drakenstein)	0	260 165
Donation: Saffmarine Centre	0	94 393
Donation: Wellington Museum Association	51 861	46 944
	<b>427 616</b>	<b>664 727</b>
Animal Protection - SPCA Donations were made to the SPCA for animals that were brought to the shelter by the municipality.		
Awards granted during the year The Mayor gives out donations to certain institutions on fundraising occasions depending on the needs of the institution.		
Paarl Museum Donations were made to the Paarl Museum for the preservation and exhibition of historic items.		
RDP - Drakenstein Donations were made to the RDP Drakenstein for community development and social upliftment related projects.		
Saffmarine Centre Donations were made to the Saffmarine Centre to support the current systems for the upliftment of the community by skills development and other training.		
Wellington Museum association Donations were made to the Wellington Museum for the preservation and exhibition of historic items.		
<b>35. GENERAL EXPENSES</b>		
Advertising Costs	1 212 874	1 224 664
Audit Fees	4 616 365	4 012 301
B1(4b) - Household Refuse Removal	1 320 686	916 900
Bank Charges	2 939 438	3 158 632
C1(1)A - Mbekweni Multipurpose Hall	800 040	594 869
Chemicals / Works	1 542 232	1 142 565
Cleaning Toilet etc.	1 002 295	1 156 679
Conditional Grant Expenditure	66 992 466	29 773 722
Conference School Expenditure	500 955	1 459 509
Consultancy Fees	2 289 717	1 949 238
General Materials - Spares	890 361	691 596
High Density Cleanup Project	2 222 866	1 956 444
Hire : Equipment	1 258 235	1 202 360
Hire : Vehicles and Equipment	9 151 152	8 711 261
Housing Schemes : Admin (Letting SCH)	932 784	789 058
Housing Schemes : Assessment Rates	1 417 470	1 107 154
Housing Schemes : Electricity	1 950 092	696 249
Housing Schemes : Int & Redemption	1 588 668	1 524 581
Housing Schemes : Refuse	3 595 951	3 281 394
Housing Schemes : Sewerage	2 494 597	2 193 766
Housing Schemes : Water	5 084 157	4 138 958
Insurance : Premium (Short Term)	2 338 593	2 072 996
Investigations & Reports WSDP & BLUE DRO	529 510	200 250
Klapmuts Precinct Plan	668 313	-613
Legal Costs : Other	1 420 990	1 693 530
Licences : Vehicles	1 205 091	1 134 210
Membership Fees	2 816 421	648 290
Petrol and Diesel	12 978 191	11 245 048
Postage	1 895 764	1 951 408
Pre-paid Vending System	1 509 512	1 641 598
Printing and Stationery	3 067 353	2 954 204
Professional Fees	995 982	776 525
Provision Land Fill Sites	3 973 025	3 221 049
Refuse Bags	855 657	479 702
Special Connections	2 174 889	2 173 886
Special Investigations	160 000	1 203 456
Standard Connections	838 357	952 440
Telephone Communication	7 071 533	7 163 746
Tidy Town Program	1 255 990	1 118 781
Training	1 441 314	1 046 591
Training Levy	2 885 177	2 590 516
Tyres	1 933 918	1 860 237
Uniforms and Clothing	1 704 187	1 641 974
Upgrade Protection: Computers	1 538 000	294 273
Valuation Expenses	1 927 857	1 198 827
Ward Projects - 31 Wards	3 210 468	3 207 879
Other Expenditure	18 639 835	21 987 596
	<b>192 837 727</b>	<b>146 140 375</b>

36 CASH GENERATED BY OPERATIONS

Surplus/(Deficit) for the year  
Adjustment for :-  
- Depreciation and amortisation  
- Housing Development Fund  
- Self Insurance Reserve  
- Impairment Losses  
- Fair Value adjustments  
- Gain on assets from non exchange transactions  
- Fair Value adjustments on Listed stock  
- (Gain)/Losses on disposal of property, plant and equipment  
Operating surplus before working capital changes:  
(Increase)/Decrease in inventories  
(Increase)/Decrease in debtors  
Decrease /(Increase) in other debtors  
Decrease /(Increase) in Post retirement benefits and Long services  
(Decrease)/Increase in other provisions  
(Decrease)/Increase in unspent conditional grants and receipts  
Increase/(Decrease) in creditors  
Decrease/(Increase) in VAT(net)  
Cash generated by operations

8 274 465	-35 518 188
147 837 676	159 304 267
152 308 810	156 972 138
1 727 253	1 147 874
-188 954	242 233
976 050	0
-3 988 300	0
-3 005 000	0
7 817	-5 344
0	947 366
166 112 141	123 786 079
2 913 329	-22 499 515
-57 638 458	-2 450 194
-24 469 418	-11 017 102
6 094 817	-11 315 326
2 820 645	5 797 250
-488 410	-1 155 653
33 284 942	-42 282 852
8 985 537	3 775 527
125 615 126	42 658 414

37 DISCONTINUED OPERATIONS

37.1 Health Services discontinued

Statement of Financial Performance at date of discontinuation

Revenue  
Less: Expenditure

0	0
0	0
0	0
0	0
0	0

Inter-departmental charges  
Deficit for the Year

Statement of Financial Position at date of discontinuation

NET ASSETS AND LIABILITIES

Net Assets  
Accumulated deficit  
Deficit for the year

0	0
0	0
0	0

Current Liabilities  
Creditors  
Advances DM

0	0
0	0
0	0

Total Net Assets and Liabilities

0	0
---	---

ASSETS

Non-current Assets  
Property, Plant and Equipment  
Less: Accumulated depreciation

1 983 022	1 983 022
4 571 151	4 571 151
-2 588 129	-2 588 129

Current Assets  
Debtors  
Less: Provision for impairment

0	0
0	0
0	0

Total Assets

1 983 022	1 983 022
-----------	-----------

Cash flow Statement at date of discontinuation

Cash flow from operating activities

Cash receipts  
Cash paid  
Cash utilised in operations

0	0
0	0
0	0

Cash flow from Financing Activities

Increase in advance DM  
Net decrease in cash and cash equivalents

0	0
0	0

38 RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel and Councilors

Compensation made to Key Management Personnel and Councilors is disclosed in note 28 above.

Consumer services rendered to Key Management Personnel amount to R 20,788

Outstanding balances on Key Management Personnel's consumer accounts at 30 June 2013 ( Current Accounts) amount to R 0 (2012: R 9,402).

Consumer services rendered to Councilors amount to R 871,335

Outstanding balances on Councilors' consumer accounts at 30 June 2013 amount to R 48,258

The consumer services are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Key Management Personnel and Councilors. No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Not all persons in the service of the state is seen as related parties as defined in IPSAS 20, as they do not necessarily control or have an interest that gives them significant influence over the municipality. For disclosure purposes however, awards to close family members of persons in the service of the State are disclosed in Note 44.2.

### 39 RESTATEMENT OF PRIOR YEAR FIGURES AND ERRORS

The following restatements and errors occurred which are set out below

#### 39.1.1 Adjustment to Provision for rehabilitation of landfill

The correction of error of the provision for rehabilitation is due to the estimate for the Boy Louw landfill, previously being based on a smaller area. During the current year it was established that part of the landfill, which was previously rehabilitated and turned into a community facility, was not included in the rehabilitation estimate. As parts of the landfill site lies beneath the 1:50 floodline, specific infrastructure will have to be constructed in terms of current legislation on rehabilitation of the site. Furthermore the Provision for the rehabilitation asset was incorrectly calculated in prior years in terms of Directive 7.

	Restated 2012 R	Restatement change R	Previously 2012 R
Property, Plant and Equipment - Cost	** 49 461 845	39 841 584 (dt)	9 620 261
Property, Plant and Equipment - Accumulated Depreciation	** 41 007 807	32 328 005 (cr)	8 679 801
Provision for rehabilitation of landfill	** 64 079 341	6 335 687 (cr)	57 743 654
Accumulated Surplus	** 2 399 030 163	3 414 911 (cr)	2 362 127 194

#### Statement of Financial Performance

The unwinding of discount for the rehabilitation of landfill site provision has been reclassified as a finance charge in terms of IGRAP 2.8

Finance Charges (Other expenses)	** 146 140 375	3 630 514 (dt)	167 132 162
Other Expenses	** 146 140 375	3 271 890 (cr)	167 132 162
Depreciation	** 156 972 138	1 679 395 (dt)	156 352 648

\*\* - Note that the restated amount includes other adjustments disclosed with in note 39

#### 39.1.2 Correction of Investment property incorrectly classified

Previously certain investment property was incorrectly classified as Property, plant and equipment  
The effect of the change in accounting policy is as follows:

##### Statement of Financial Position

	Restated 2012 R	Restatement Change R	Previously Reported 2012 R
Property, Plant and equipment	** 3 981 936 349	24 171 497 (cr)	4 072 074 537
Investment property	** 86 063 700	45 613 700 (dt)	40 450 000
Revaluation surplus	** 1 099 058 842	25 011 776 (dt)	1 144 982 184
Accumulated Surplus	** 2 399 030 163	46 453 979 (cr)	2 362 127 194

\*\* - Note that the restated amount includes other adjustments disclosed with in note 39

#### 39.1.3 Correction of untransferred housing previously not treated as inventory

Unfinished housing units from the Drommedaris project were previously not shown as inventory. Refer to the note on inventory for further details.  
The effect of the change in accounting policy is as follows:

##### Statement of Financial Position

Inventory	** 53 541 441	15 580 834 (dt)	47 677 102
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##### Statement of Financial Performance

Other Expenditure (Grant Expenditure Housing included)	** 146 140 375	15 580 834 (cr)	167 132 162
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\*\* - Note that the restated amount includes other adjustments disclosed with in note 39

#### 39.1.4 Correction on Basic Water Charges that was previously under Other Income reclassified as Service charges

It was found that Basic Water Charges was previously disclosed under other income, but it has been reclassified as being  
The effect of the change in correction of error is as follows:

##### Statement of Financial Performance

Service Charges	** 755 176 676	2 127 798 (cr)	753 048 878
Other Income	** 15 139 780	2 127 798 (dt)	17 262 233

\*\* - Note that the restated amount includes other adjustments disclosed with in note 39

#### 39.1.5 Correction of inventory previously not recognised

It was found that inventory was not included in the amount presented in the prior year  
The effect of the change in correction of error is as follows:

##### Statement of Financial Position

Accumulated Surplus	** 2 399 030 163	268 552 (cr)	2 362 127 194
Inventory	** 53 541 441	268 552 (dt)	47 677 102

\*\* - Note that the restated amount includes other adjustments disclosed with in note 39

#### 39.1.6 Correction of Capital spares not recognised as Property, plant and equipment

It was found that inventory of capital spares were not included under PPE.  
The effect of the change in correction of error is as follows:

##### Statement of Financial Position

Property, plant and equipment	** 3 981 936 349	9 985 048 (dt)	4 072 074 537
Inventory	** 53 541 441	9 985 048 (cr)	47 677 102

\*\* - Note that the restated amount includes other adjustments disclosed with in note 39

#### 39.1.7 Correction of assets found not to be controlled by the Municipality

The effect of the change in correction of error is as follows:

##### Statement of Financial Position

Property, plant and equipment	** 3 981 936 349	49 894 879 (cr)	4 072 074 537
Accumulated surplus	** 2 399 030 163	2 583 489 (dt)	2 362 127 194
Revaluation Reserve	** 1 099 058 842	20 911 566 (dt)	1 144 982 184
Government Grant Reserve	** 293 411 401	25 355 085 (dt)	318 776 486
Capitalisation Reserve	** 558 493 240	1 990 606 (dt)	560 483 846

##### Statement of Financial Performance

Depreciation	** 156 972 138	1 155 867 (cr)	156 352 648
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\*\* - Note that the restated amount includes other adjustments disclosed with in note 39

#### 39.1.8 Correction of irregular expenditure disclosure

It was found during 2012/13 that the amount disclosed in regards to irregular expenditure (Note 42.3) for 2011/12 was understated.  
The effect of the change in correction of error is as follows:

##### Disclosure

Irregular expenditure	4 067 385	2 203 042	1 864 343
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### 39.1.9 Correction of Agency services

	Restated 2012 R	Restatement Change R	Previously Reported 2012 R
It was found during 2012/13 that for certain housing related services the Municipality was regarded as acting as an agent. The effect thereof is that certain expenditure should have been set-off against revenue.			
The effect of the change in correction of error is as follows:			
<u>Disclosure</u>			
Other Expenditure	** 146 140 375	2 129 848 (cr)	167 132 162
Government grants and subsidies	** 176 614 029	2 129 848 (dl)	178 606 840
** - Note that the restated amount includes other adjustments disclosed with in note 39			

### 39.1.10 Reclassification of Contribution to leave

	Restated 2012 R	Restatement Change R	Previously Reported 2012 R
The contribution to leave was reclassified as part of employee cost, from previously grouped under other expenditure.			
The effect of the change in correction of error is as follows:			
<u>Disclosure</u>			
Other Expenditure	** 146 140 375	3 639 729 (cr)	167 132 162
Employee cost	** 306 511 008	3 639 729 (dl)	321 411 365
** - Note that the restated amount includes other adjustments disclosed with in note 39			

## 39.2 Change in accounting policies

The municipality adopted the following Accounting Standards for the first time during the financial year 2012/2013 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

### 39.2.1 GRAP 104: FINANCIAL INSTRUMENTS

The municipality developed an Accounting Policy with the adoption of GRAP 104: Financial Instruments. Previously the municipality used the principles set out in IAS 39 to account for financial instruments. Management has evaluated the requirements of the Standard and it was found that the only adjustment to be made is to the classification of the Financial Assets and Liabilities (as illustrated below) - no restatement of the amounts presented previously was required, except for the listed investments found to be previously incorrectly carried at cost:

#### Reclassification of Financial Instruments

<u>Financial Assets</u>	<u>Previous classification per IAS 39</u>	<u>Classification per GRAP</u>	<u>Previously Stated</u>	<u>2012 Restated</u>
Investments				
Investment in Unlisted shares	Held to maturity	Fair Value	112 000	160 822
Long-term Receivables				
Loans to employees	Loans and receivables	Amortised cost	0	0
Sporting bodies	Loans and receivables	Amortised cost	31 563	31 563
Public organisations	Loans and receivables	Amortised cost	188 933	188 933
Housing selling scheme loans	Loans and receivables	Amortised cost	1 365 834	1 365 834
Consumer Debtors from exchange transactions				
Service debtors	Loans and receivables	Amortised cost	96 094 820	96 094 820
Housing Rental Schemes	Loans and receivables	Amortised cost	2 511 284	2 511 284
Housing Selling Schemes	Loans and receivables	Amortised cost	237 853	237 853
Consumer Debtors from non-exchange transactions				
Service debtors - Rates	Loans and receivables	Amortised cost	0	0
Other Debtors from exchange transactions	Loans and receivables	Amortised cost	3 069 941	3 069 941
Other Debtors from non-exchange transactions	Loans and receivables	Amortised cost	0	0
Current Portion of Long-term Receivables				
Loans to employees	Loans and receivables	Amortised cost	0	0
Sporting bodies	Loans and receivables	Amortised cost	30 071	30 071
Public organisations	Loans and receivables	Amortised cost	9 434	9 434
Housing selling scheme loans	Loans and receivables	Amortised cost	263 979	263 979
VAT Receivable				
VAT Control Accounts	Loans and receivables	Amortised cost	19 836 097	19 836 097
Cash and cash equivalents				
Bank and cash on hand	Available for sale	Amortised cost	9 777 399	9 777 399
Other Cash Equivalents	Available for sale	Amortised cost	102 165 057	102 165 057

#### FINANCIAL LIABILITIES:

<u>Financial Liabilities</u>	<u>Previous classification per IAS 39</u>	<u>Classification per GRAP</u>	<u>Previously Stated</u>	<u>2012 Restated</u>
Long-term Liabilities				
Annuity Loans	Not valued at FVTPL	Amortised cost	500 494 186	500 494 186
Consumer Deposits				
Electricity and Water	Not valued at FVTPL	Amortised cost	22 138 506	22 138 506
Payables from exchange transactions				
Trade creditors	Not valued at FVTPL	Amortised cost	68 914 487	68 914 487
Staff Leave	Not valued at FVTPL	Amortised cost	17 695 745	17 695 745
Payments received in advance	Not valued at FVTPL	Amortised cost	14 877 309	14 877 309
Other creditors	Not valued at FVTPL	Amortised cost	56 125 600	56 125 600
Unspent Conditional Grants and Receipts				
Conditional Grants from other spheres of Government	Not valued at FVTPL	Amortised cost	23 294 660	23 294 660
Other Conditional Receipts	Not valued at FVTPL	Amortised cost	2 128 755	2 128 755
Bank Overdraft				
Bank Overdraft	Not valued at FVTPL	Amortised cost	0	0
Current Portion of Long-term Liabilities				
Annuity Loans	Not valued at FVTPL	Amortised cost	57 242 133	57 242 133

#### SUMMARY OF FINANCIAL LIABILITIES

### 39.2.2 GRAP 21: IMPAIRMENT OF NON-CASH-GENERATING ASSETS

The municipality has developed Accounting Policies with the adoption of GRAP 21: Impairment of Non-cash-generating Assets. Previously the municipality used the principles set out in IPSAS 21 to account for impairment of Non - cash - generating assets. GRAP 21 is applied prospectively in terms of Directive 3 and there is no need for restatement of prior year figures as the principles in GRAP 21 and IPSAS 21 are similar.



### 39.2.3 GRAP 26: IMPAIRMENT OF CASH-GENERATING ASSETS

The municipality has developed Accounting Policies with the adoption of GRAP 26: Impairment of Cash-generating Assets. Previously the municipality used the principles set out in IAS 36 to account for impairment of Cash - generating assets. GRAP 26 is applied prospectively in terms of Directive 3 and there is no need for restatement of prior year figures as the principles in GRAP 26 and IAS 36 are similar.

### 39.2.4 GRAP 24: PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The municipality has developed Accounting Policies with the adoption of GRAP 24: Presentation of Budget Information in the Financial Statements. Previously the municipality used the principles set out in GRAP 1 to present budget information. GRAP 24 is to be applied prospectively in terms of Directive 3, with the adoption of the requirements set out in this Standard, the municipality have included the following budget information (based on the guidance contained in MFMA Circular 67 as well as additional disclosure required per GRAP 24):

- Statement of comparison between budget and actual amounts: Reconciliation of Table A1 Budget summary
- Appendix C1: Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)
- Appendix C2: Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)
- Appendix C3: Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)
- Appendix C4: Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding
- Appendix C5: Reconciliation of Table A7 Budgeted Cash Flows

### 39.2.5 GRAP 103: HERITAGE ASSETS

The municipality has developed Accounting Policies with the adoption of GRAP 103: Heritage Assets. In the previous financial years presented, certain Heritage Assets were presented as Property, Plant and Equipment.

The municipality utilised the transitional provisions under Directive 3, which allows 3 years for the measurement of heritage assets.

The effect of the restatement is as follows:

The effect of the change in accounting policy is as follows:

Reclassification from PPE to Heritage assets

#### Statement of Financial Performance

		2012 Restated	Restatement	2012 Previously Stated
Property, Plant and equipment	**	3 981 936 349	33 770 741 (cr)	4 072 074 537
Heritage Assets		33 903 936	33 903 936 (dt)	0
Accumulated Surplus	**	2 399 030 163	30 157 (cr)	2 362 127 194

#### Statement of Financial Performance

Depreciation	**	156 972 138	103 038 (cr)	156 352 648
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\*\* - Note that the restated amount includes other adjustments disclosed with in note 39

#### 39.2.6 GRAP 23: Revenue from non exchange transactions.

The municipality has developed Accounting Policies with the adoption of GRAP 23: Revenue from non-exchange transactions. Previously the municipality used the specific paragraphs related to revenue from non-exchange transactions as set out in GAMAP 9 Revenue. GRAP 23 is to be applied retrospectively in terms of Directive 3 and the impact of the thereof is as follows:

The effect of the change in accounting policy is as follows:

		2012 Restated	Restatement	2012 Previously Stated
<b>Statement of Financial Position</b>				
Unspent conditional grants	**	25 423 416	1 975 545 (dt)	27 398 961
Accumulated Surplus	**	2 399 030 163	1 638 509 (cr)	2 362 127 194
<b>Statement of Financial Performance</b>				
Government and subsidies - Revenue	**	176 814 029	337 036 (cr)	178 606 841

### 39.2.7 GRAP 25: Employee benefits

The Municipality has opted to change its accounting policy on Post employment benefits and align it to the principles contained in GRAP 25, Employee Benefits. The Municipality has not early adopted GRAP 25 and will only adopt the standard of GRAP once it becomes effective in the period starting after 1 July 2013.

The effect of this change in accounting policy is that the Municipality now recognises all Actuarial losses directly in the Statement of Financial Performance, whereas the "Corridor" method was previously used. GRAP 25 does not allow entities to use the "Corridor method"

The effect of the change in accounting policy is as follows:  
Post Employment Medical Benefits

#### Statement of Financial Position

		2012 Restated	Restatement	2012 Previously Stated
Post Employment Medical Benefits liability	**	106 550 875	737 428 (dt)	107 288 303
Accumulated Surplus	**	2 399 030 163	15 240 625 (dt)	2 362 127 194

#### Statement of Financial Performance

Employee Cost - Actuarial gain recognised	**	15 808 053	15 978 053 (cr)	170 000
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#### Post Employment Ex Gratia Benefit

##### Statement of Financial Position

		2012 Restated	Restatement	2012 Previously Stated
Post Employment Ex Gratia liability	**	7 488 823	689 968 (cr)	-6 778 855
Accumulated Surplus	**	2 399 030 163	252 000 (dt)	2 362 127 194

##### Statement of Financial Performance

Employee cost - Actuarial loss recognised	**	437 968	437 968 (dt)	0
---	----	---------	--------------	---

## 40 FINANCING FACILITIES

Unsecured Bank overdraft .

- Amount used
- Amount unused

	0	0
	5 000 000	5 000 000
	<u>5 000 000</u>	<u>5 000 000</u>

#### 41 OPERATING LEASE COMMITMENTS

The Municipality as Lessee

Future minimum lease payments under non-cancellable operating leases:

Buildings  
Payable within one year  
Payable within two to five years

Equipment  
Payable within one year  
Payable within two to five years

	0	0
	0	0
	0	0
	584 250	1 178 113
	428 616	885 062
	155 634	293 051
	584 250	1 178 113

In terms of the additional guidance from GRAP 13 (leases), escalations in operating leases are no longer recognised in the periods they actually incurred, but are now charged in the statement of financial performance on a straight-line basis over the term of the lease.

Leased premises are contracted for a period of 3 years.

The Municipality has significant current lease arrangements for photocopy and fax machines over a period of 3 - 5 years without being subject to escalation.

The Municipality as Lessor

At Statement of Financial Performance date the Municipality has contracted with tenants for the following future minimum lease payments.

Payable within one year  
Payable within two to five years

	375 960	625 594
	1 879 800	915 933
	2 255 760	1 541 527

The Municipality lets its investment properties under operating leases. Property rental income earned during the year was R 113,744. The properties are maintained by the tenants at their cost. No investment properties have been disposed of since the statement of financial performance date. Properties are leased for periods ranging from 3 to 25 years. Escalations on lease installments are applied on recommendation of an independent valuator and does not exceed 10% pa.

No restrictions have been imposed on the municipality in terms of the operating lease agreements.

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

#### 42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

##### 42.1 UNAUTHORISED EXPENDITURE

##### 42.1.1 Application of sec (a) of the definition of Unauthorised expenditure in terms of the MFMA

Reconciliation of unauthorised expenditure - Per Sec (a) of the definition of Unauthorised expenditure (Total Budget)

Opening balance  
Unauthorised expenditure for financial year  
Original Unauthorised expenditure reported in 2011/12  
Restatement of expenditure due to change in accounting policy or correction of errors  
Written off by Council  
Unauthorised expenditure awaiting authorisation

2013	2012
0	0
0	0
0	-28 202 081
0	32 168 614
0	0
0	0
0	0

\* - For the 2011/12 year the total overspending was reduced to an overall saving of R3 967 533 due to the change in accounting policies and correction of errors as depicted in Note 39.

\*\* - With the approval of the 2011/12 unauthorised expenditure on 31 October 2012, the Financial statements had not been adjusted for audit adjustments for the 2011/12 year and thus showed a net saving of R8 747 893 at time of approval.

\*\*\* - For the 2012/13 year the Municipality had total saving on the overall operating and capital budget of R 13 588 082.

##### 42.1.2 Application of sec (b) of the definition of Unauthorised expenditure in terms of the MFMA

Reconciliation of unauthorised expenditure - Per Sec (b) of the definition of Unauthorised expenditure (Vote - GFS)

Opening balance  
Unauthorised expenditure for financial year (Aggregate of GFS Functions overspent)  
Written off by Council  
Unauthorised expenditure awaiting authorisation

2013	2012
-14 760 085	0
-16 578 681	-37 774 670
22 471 779	23 014 585
-8 866 987	-14 760 085

2012/13

##### UNAUTHORISED EXPENDITURE PER GOVERNMENT FINANCIAL STATISTICS (GFS)

	BUDGET	2013 ACTUAL EXPENDITURE	UNAUTHORISED	AMOUNT WRITTEN OFF BY COUNCIL
	R	R	R	R
EXECUTIVE AND COUNCIL	56 734 156	57 034 050	-299 894	0
BUDGET AND TREASURY OFFICE	55 325 225	58 565 595	-3 240 371	5 818 593
CORPORATE SERVICES	136 341 054	129 745 284	6 595 770	0
COMMUNITY AND SOCIAL SERVICES	22 109 254	21 554 655	554 699	0
SPORT AND RECREATION	50 870 288	49 289 580	1 601 708	0
PUBLIC SAFETY	41 940 061	42 404 702	-464 641	464 641
HOUSING	104 394 516	103 461 512	-933 004	8 687 468
HEALTH	5 685 669	5 347 077	338 592	0
PLANNING AND DEVELOPMENT	30 414 198	28 869 840	1 544 358	0
ROAD TRANSPORT	83 862 680	79 362 715	4 499 965	0
ENVIRONMENTAL PROTECTION			0	0
ELECTRICITY	581 083 927	582 704 138	-1 620 211	0
WATER	70 674 733	67 206 745	3 467 988	1 614 508
WASTE WATER MANAGEMENT	58 258 457	59 466 167	-1 207 710	1 207 710
WASTE MANAGEMENT	47 727 584	52 406 453	-4 678 859	4 678 859
	1 345 421 812	1 343 397 414	2 024 398	22 471 779
Authorised			18 603 080	
Unauthorised			-16 578 681	
			2 024 398	

Unauthorised expenditure was certified and written-off by Council on 28 August 2013  
Refer to appendix C1 for more detail

##### 2011/12 UNAUTHORISED EXPENDITURE PER GOVERNMENT FINANCIAL STATISTICS (GFS)

	BUDGET	2012 RESTATED EXPENDITURE	UNAUTHORISED	AMOUNT WRITTEN OFF BY COUNCIL
	R	R	R	R
BUDGET AND TREASURY OFFICE	52 313 762	49 017 579	3 296 183	
COMMUNITY AND SOCIAL SERVICES	22 753 466	19 841 205	2 912 261	
CORPORATE SERVICES	107 762 048	117 788 082	-10 026 034	10 309 191
ELECTRICITY	508 293 696	524 732 706	-16 439 010	10 695 482
EXECUTIVE AND COUNCIL	80 001 037	52 950 086	27 050 951	
HEALTH	5 165 493	5 004 277	161 216	
HOUSING	111 420 239	85 261 692	26 158 547	
PLANNING AND DEVELOPMENT	27 987 176	26 167 064	1 820 112	
PUBLIC SAFETY	39 674 917	35 984 188	3 690 729	
ROAD TRANSPORT	71 868 915	75 608 814	-3 739 899	2 009 912
SPORT AND RECREATION	45 948 152	44 718 872	1 229 280	
WASTE MANAGEMENT	43 265 048	43 711 256	-446 208	
WASTE WATER MANAGEMENT	48 253 327	49 462 488	-1 209 161	
WATER	58 205 376	64 121 734	-5 916 358	
	1 202 912 652	1 194 368 042	8 544 610	23 014 585
Authorised			46 319 279	
Unauthorised			-37 774 670	
			8 544 610	

Unauthorised expenditure was certified and written-off by Council on 31 October 2012

#### 42.1.3 Application of sec (b) of the definition of Unauthorised expenditure in terms of the MFMA

Reconciliation of unauthorised expenditure - Per Sec (b) of the definition of Unauthorised expenditure (Vote - Directorate)

	2013	2012
Opening balance	-9 203 547	0
Unauthorised expenditure for financial year (Aggregate of Directorates overspent)	-10 160 808	-32 218 132
Written off by Council	16 350 603	23 014 585
Unauthorised expenditure awaiting authorisation	-3 013 752	-9 203 547

	BUDGET	ACTUAL EXPENDITURE	UNAUTHORISED	AMOUNT WRITTEN OFF BY COUNCIL
	R	R	R	R
UNAUTHORISED EXPENDITURE PER VOTE (DIRECTORATE)				
OFFICE OF THE MUNICIPAL MANAGER	13 383 861	11 442 673	1 941 188	-
CORPORATE SERVICES	104 194 671	104 037 884	156 787	-
COMMUNITY SERVICES	278 615 628	285 549 515	(6 933 887)	10 545 459
FINANCIAL SERVICES	60 097 977	63 324 898	(3 226 921)	5 805 144
PLANNING AND ECONOMIC DEVELOPMENT	27 748 851	26 289 474	1 457 377	-
INFRASTRUCTURE SERVICES	861 382 824	852 752 970	8 629 854	-
	1 345 421 812	1 343 397 414	2 024 398	16 350 603
Authorised			12 185 206	
Unauthorised			-10 160 808	
			2 024 398	

Unauthorised expenditure was certified and written-off by Council on 28 August 2013

	BUDGET	ACTUAL EXPENDITURE	UNAUTHORISED	AMOUNT WRITTEN OFF BY COUNCIL
	R	R	R	R
UNAUTHORISED EXPENDITURE PER VOTE (DIRECTORATE)				
OFFICE OF THE MUNICIPAL MANAGER	12 808 733	11 379 123	1 429 610	-
CORPORATE SERVICES	97 734 513	96 757 716	976 797	10 309 191
COMMUNITY SERVICES	272 482 990	239 309 136	33 173 854	-
FINANCIAL SERVICES	57 244 486	53 786 976	3 457 510	-
PLANNING AND ECONOMIC DEVELOPMENT	25 740 329	24 015 359	1 724 970	-
INFRASTRUCTURE SERVICES	736 901 601	769 119 733	(32 218 132)	12 705 394
	1 202 912 652	1 194 368 042	8 544 610	23 014 585
Authorised			40 762 742	
Unauthorised			-32 218 132	
			8 544 610	

Unauthorised expenditure was certified and written-off by Council on 31 October 2012  
Refer to appendix C2 for more detail

#### 42.2 FRUITLES AND WASTEFUL EXPENDITURE

Opening Balance	426 164	431 385
Fruitless expenditure current year	52 018	0
Payments received during the year	0	-3 202
Approved by council	-411 689	-2 019
Closing Balance	66 493	426 164

Incident	Date	Disciplinary steps/criminal proceedings		
Theft of money from cash bag	13/01/2007 - 12/02/2007	Disciplinary hearing 07/05/2007. Person dismissed. To be certified by Council as irrecoverable and to be written-off	0	1 657
Theft of safety boots from stores	21/09/2005	Disciplinary hearing. Person dismissed. To be certified by Council as irrecoverable and to be written-off	0	107 331
Theft of cash at Gouda cash office	18/02/2008	Disciplinary action. Person not guilty. To be certified by Council as irrecoverable and to be written-off	0	4 834
Purchasing of laptops by ex CFO	2004	To be certified by Council as irrecoverable and to be written-off	0	180 419
Purchasing of curtains for deputy mayor office	2007	To be certified by Council as irrecoverable and to be written-off	0	20 975
Theft of Cable	05 February 2010	Not guilty. Witness not willing to testify. To be certified by Council as irrecoverable and to be written-off	0	2 500
Interest paid to JJ specks i.r.o a electricity meter that was swapped	21 October 2004 till 20	To be certified by Council as irrecoverable and to be written-off	0	5 000
Travelling costs paid to boland Travel for an India trip that did not take place.	17-Nov-10	To be certified by Council as irrecoverable and to be written-off	0	59 773
Loudhailing equipment that was hired and never returned.	11-Nov-10	To be certified by Council as irrecoverable and to be written-off	0	29 500
Payment to service provider, payment into wrong bank.	19/08/2008	Council attorneys busy to recover money.	14 475	14 475
Interest on late payments on contract (Com Dev PEMPC)	13/11/2012 - 20/09/2013	To be certified by Council as irrecoverable and to be written-off	52 018	0
			66 493	426 164
			-52 018	-411 689

Certified and written-off by Council as irrecoverable as per Council resolution dated 28/08/2013

Certified and written-off by Council as irrecoverable as per Council resolution dated 31/10/2012

#### 42.3 IRREGULAR EXPENDITURE

Opening Balance	4 067 385	1 810 822
Irregular expenditure current year	3 576 491	2 256 563
Payments received during the year	0	0
Approved by council	-1 810 822	0
Closing Balance	5 833 054	4 067 385

Incident	Date	Disciplinary steps/criminal proceedings		
Infrastructure & Planning Directorate had a strategic planning session at the farm. Procurement of goods and services (between R2,000.00 and R10,000.00) - Not 3 quotes	30/06/2010	To be certified by Council as irrecoverable and to be written-off	0	4 772
SCM requested more than 3 quotes from prospective service providers on each instance. At the closing date of request less than 3 quotations were received Procurement of goods and services (between R10,000.00 and R200,000.00) - Not 3 formal written quotes	30/06/2010	To be certified by Council as irrecoverable and to be written-off	0	66 285
No advertisement on website to invite price quotations (above R30,000.00). Community development projects	30/06/2010	To be certified by Council as irrecoverable and to be written-off	0	311 870
Procurement of awards to state employees. The director of company was a teacher and did not declare on tender	30/06/2010	To be certified by Council as irrecoverable and to be written-off	0	108 159
Procurement in contravention of the PPPFA	30/06/2010	To be certified by Council as irrecoverable and to be written-off	0	144 869
Advertising costs paid without the SCM processes.	Jan. 2011	To be certified by Council as irrecoverable and to be written-off	0	24 624
Officials in service of the state		To be certified by Council as irrecoverable and to be written-off	0	124 070
Officials in service of the state		To be certified by Council as irrecoverable and to be written-off	0	3 991
Officials in service of the state		To be certified by Council as irrecoverable and to be written-off	0	10 000
Officials in service of the state		To be certified by Council as irrecoverable and to be written-off	0	5 805
Officials in service of the state		To be certified by Council as irrecoverable and to be written-off	0	2 000
Three quotations was not obtained		To be certified by Council as irrecoverable and to be written-off	0	25 784
Three quotations was not obtained		To be certified by Council as irrecoverable and to be written-off	0	26 620
No Tender process		To be certified by Council as irrecoverable and to be written-off	0	931 973
Owner with 30% share in service of the state (Dick & Allsop SA CC)		To be certified by Council as irrecoverable and to be written-off	37 722	37 722
Owner with a share of 50% in service of the state (Regular Trading 63 CC)		To be certified by Council as irrecoverable and to be written-off	25 800	15 800
Owner with a share of 15% in service of the state (Hi-Q Wellington T/A Nita's Place CC)		To be certified by Council as irrecoverable and to be written-off	278 038	269 715
Owner with a share of 25% in service of the state (Khubeka Construction C	27/03/2013 - 24/04/2013	To be certified by Council as irrecoverable and to be written-off	5 450 720	1 933 326
Paid more than the proclaimed cost to company package		To be recovered	6 894	0
Paid more than the proclaimed cost to company package		To be recovered	28 776	0
Paid more than the proclaimed cost to company package		To be recovered	5 003	0
			5 833 054	4 067 385
			-5 792 280	-1 810 822

Certified and written-off by Council as irrecoverable as per Council resolution dated 28/08/2013

Certified and written-off by Council as irrecoverable as per Council resolution dated 31/10/2012

#### 42.4 DISTRIBUTION LOSSES

##### WATER

##### Reconciliation of water losses

Kiloliters bought

17 584 721 17 448 391

Kiloliters sold

15 455 388 15 467 531

Kiloliters Lost

2 129 333 1 980 860

Value of losses

3 705 039 1 980 860

Percentage of losses

12.11% 11.35%

Norm of losses

15.00% 15.00%

##### Reasons for losses:

Rural areas

Use of unmetered fire water connections at flat buildings and factories.

Open spaces & sports fields that is still unmetered

Undetected leaks underground

Scouring of mainlines and reservoirs as part of the operational procedure to ensure good water quality

##### ELECTRICITY

##### Reconciliation of MWh losses

MWh units bought

734 790 005 740 813 368

MWh units sold

687 784 396 679 774 239

MWh units lost

47 005 609 61 039 129

Value of losses

21 008 390 47 214 072

Percentage of losses

6.40% 8.24%

Norm of losses

10.00% 10.00%

##### Reasons for losses:

Technical losses

Unmetered services

Theft

#### 43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

##### 43.1 Contributions to SALGA

##### Opening balance

Council subscriptions

0 0

Amount paid - current year

2 816 421 2 228 622

Amount paid - previous years

-2 816 421 -2 228 922

Balance unpaid (included in creditors)

0 0

##### 43.2 Audit fees

##### Opening balance

0 0

Current year audit fee

4 616 365 4 012 301

Amount paid - current year

-4 616 365 -4 012 301

Amount paid - previous years

0 0

Balance unpaid (included in creditors)

0 0

##### 43.3 VAT

VAT output payables and VAT input receivables are shown in note 18. All VAT returns have been submitted by the due date throughout the year.

##### 43.4 PAYE

##### Opening balance

0 0

Current year payroll deductions

32 326 982 28 676 799

Amount paid - current year

-32 326 982 -28 676 799

Amount paid - previous years

0 0

Balance unpaid (included in creditors)

0 0

##### 43.5 UIF

##### Opening balance

0 0

Current year payroll deductions

4 302 667 3 667 170

Amount paid - current year

-4 302 667 -3 667 170

Amount paid - previous years

0 0

Balance unpaid (included in creditors)

0 0

##### 43.6 Pension Deductions

##### Opening balance

0 0

Current year payroll deductions and council contributions

55 477 060 41 962 754

Amount paid - current year

-55 477 060 -41 962 754

Amount paid - previous years

0 0

Balance unpaid (included in creditors)

0 0

##### 43.7 Medical Aid Deductions

##### Opening balance

0 0

Current year payroll deductions and council contributions

20 851 103 17 695 878

Amount paid - current year

-20 851 103 -17 695 878

Amount paid - previous years

0 0

Balance unpaid (included in creditors)

0 0

##### 43.8 Councilors arrear consumer accounts

The following Councilors had arrear accounts outstanding for more than 90 days as at 31 July 2012

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
K/NL SHELDON	6 670	6 510	160
CS ROSS	1 808	1 174	634
DA KOTZE/BJ	503	503	0
	119	119	0
	9 099	8 305	794

The following Councilors had arrear accounts outstanding for more than 90 days as at 31 August 2012

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
A PIETERSEN	3 302	3 302	0
K/NL SHELDON	2 930	2 830	0
NJ/FA QEBENYA/ARENDS	2 340	1 123	1 217
C MANGENA	97	97	0
LM MAGALA	42	42	0
G/J/R WITBOOI	24	24	0
	8 735	7 518	1 217

The following Councilors had arrear accounts outstanding for more than 90 days as at 30 September 2012

C MANGENA  
GJ/R WITBOOI  
DA KOTZE/BJ  
NJ/FA QEBENYA/AREND  
KNL SHELTON

Total	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R
191	191	0
196	196	0
356	356	0
1 051	1 051	1 808
8 005	6 197	0
9 801	7 993	1 808

The following Councilors had arrear accounts outstanding for more than 90 days as at 31 October 2012

C MANGENA  
GJ/R WITBOOI  
A PIETERSEN  
KNL SHELTON

Total	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R
343	246	97
310	286	24
1 329	1 329	0
2 633	2 633	0
4 615	4 494	121

The following Councilors had arrear accounts outstanding for more than 90 days as at 30 November 2012

NJ/FA QEBENYA/AREND  
L.M. MAGALA  
GJ/R WITBOOI  
C MANGENA  
SP VON SCHLICHT  
A PIETERSEN  
KNL SHELTON

Total	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R
66	66	0
242	242	0
456	257	198
539	348	191
1 015	1 015	0
3 395	3 395	0
6 074	6 074	0
11 785	11 396	389

The following Councilors had arrear accounts outstanding for more than 90 days as at 31 December 2012

E GOUWS  
GJ/R WITBOOI  
C MANGENA  
L.M. MAGALA  
NJ/FA QEBENYA/AREND  
KNL SHELTON

Total	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R
130	130	0
554	244	310
480	337	143
550	550	0
658	658	0
2 789	2 789	0
5 160	4 707	453

The following Councilors had arrear accounts outstanding for more than 90 days as at 31 January 2013

MA TSHAYA  
NJ/FA QEBENYA/AREND  
V MBUBU  
GJ/R WITBOOI  
F CUPIDO  
DS BLANCKENBERG  
L.M. MAGALA  
E GOUWS  
SP VON SCHLICHT  
KNL SHELTON

Total	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R
100	100	0
131	131	0
187	187	0
664	208	456
306	306	0
403	403	0
531	512	19
938	938	0
1 032	1 032	0
5 819	5 819	0
10 110	9 636	474

The following Councilors had arrear accounts outstanding for more than 90 days as at 28 February 2013

KNL SHELTON  
GJ/R WITBOOI  
L.M. MAGALA

Total	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R
2 789	0	2 789
554	0	554
250	0	250
3 593	0	3 593

The following Councilors had arrear accounts outstanding for more than 90 days as at 31 March 2013

DS BLANCKENBERG  
L.M. MAGALA  
E GOUWS  
GJ/R WITBOOI  
M A SOMNGQEZA  
MM SOMNGQEZA  
LM MAGALA

Total	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R
788	393	393
884	445	438
700	350	350
724	362	362
438	219	219
467	219	249
104	53	51
4 104	2 041	2 063

The following Councilors had arrear accounts outstanding for more than 90 days as at 30 April 2013

T ADRIAANSE  
DA KOTZE/BJ  
KNL SHELTON

Total	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R
35	35	0
2 363	2 363	0
2 898	2 998	0
5 396	5 396	0

The following Councilors had arrear accounts outstanding for more than 90 days as at 31 May 2013

E GOUWS  
C MANGENA  
T ADRIAANSE  
JG RADEMEYER  
AC STOWMAN  
KNL SHELTON

Total	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R
1	1	0
39	39	0
89	89	0
440	440	0
1 509	1 509	0
2 609	2 609	0
<b>4 686</b>	<b>4 686</b>	<b>0</b>

The following Councilors had arrear accounts outstanding for more than 90 days as at 30 June 2013

E GOUWS  
T ADRIAANSE  
GJR WITBOOI  
C MANGENA  
CJ/JH POOLE  
AC STOWMAN  
KNL SHELTON

Total	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R
1	1	0
143	143	0
187	187	0
339	339	0
473	473	0
2 542	2 542	0
2 955	2 955	0
<b>6 639</b>	<b>6 639</b>	<b>0</b>

30th June 2012

MANGENA, TEMBEKILE CHRISTOPHER  
Total Councilor Arrear Consumer Accounts

Total	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R
2 170	172	1 998
<b>2 170</b>	<b>172</b>	<b>1 998</b>

#### 43.9 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

Non Compliance to the following sections of chapters of the MFMA :

CHAPTER	SECTION	SUB - SECTION
8	64	(3)
8	71	(1) to (5)
8	74	(1) to (2)

#### 44 ADDITIONAL DISCLOSURES IN TERMS OF THE SUPPLY CHAIN MANAGEMENT REGULATIONS

##### 44.1 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

The majority of the items mentioned resulted from flood damage that had to be addressed at short notice and the response times did not allow for the complete procurement process to be followed. The balance of items was due to emergency circumstances and economic benefits for the municipality.

Formal written and written quotations : deviations approved

Hosting of radio programme : deviation approved

Additional payment for upgrading of switchgear : deviation approved

Service provider appointment (Contract PH5/2006 deviation approved)

Service provider appointment (Contract PH5/2006 deviation approved)

Sub - Totals

Paragraph 36 of Supply Chain Management Policy deviations

Sole provider appointed (Microsoft Corporation) deviation approved by BAC

Total Deviations

1 818 502	8 735 307
0	90 000
0	31 863
0	213 544
0	5 291
<b>1 818 502</b>	<b>9 078 005</b>
<b>56 602 632</b>	<b>19 900 308</b>
<b>222 369</b>	<b>4 845 355</b>
<b>58 643 503</b>	<b>33 821 668</b>

##### 44.2 Awards to close family members of persons in service of the state - SCM Regulation 45

Awards to close family members of persons in the service of the State

Supplier Name

Staff Number

Employee Name

Relationship

Department

D UREN VIBRACRETE

59246 Z Ajam

Child

Finance

INTER MEDIA PRINTERS

52665 A Brink

Spouse

Finance

SIPHAAME SKILLS DEVELOPMENT CC

52114 N Vacu

Spouse

Planning: Economic Development

2013

2012

578 340

803 931

87 038

98 466

52 650

0

**718 028**

**902 397**

#### 45 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for

Infrastructure

Community

Land & Buildings

Other

Housing

Intangibles

Investment Properties

Total

130 955 365	129 228 028
124 952 335	126 321 820
849 956	0
0	2 906 208
3 203 458	0
0	0
1 949 616	0
0	0
<b>130 955 365</b>	<b>129 228 028</b>



## 46.1 Classification of Financial Instruments

## FINANCIAL ASSETS:

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows :

<u>Financial Assets</u>	<u>Classification</u>		
Investments			
Investment in Unlisted shares	Fair Value	153 005	160 822
Long-term Receivables			
Loans to employees	Amortised cost	0	0
Sporting bodies	Amortised cost	8 123	31 553
Public organisations	Amortised cost	77 834	188 933
Housing selling scheme loans	Amortised cost	1 644 905	1 355 834
Consumer Debtors from exchange transactions			
Service debtors	Amortised cost	152 397 492	96 094 920
Housing Rental Schemes	Amortised cost	1 824 374	2 511 284
Housing Selling Schemes	Amortised cost	143 556	237 853
Consumer Debtors from non-exchange transactions			
Service debtors - Rates	Amortised cost	18 865 825	18 477 285
Other Debtors from exchange transactions	Amortised cost	5 187 033	3 069 941
Other Debtors from non-exchange transactions	Amortised cost	39 787 030	15 706 153
Current Portion of Long-term Receivables			
Loans to employees	Amortised cost	0	0
Sporting bodies	Amortised cost	15 773	30 071
Public organisations	Amortised cost	0	9 434
Housing selling scheme loans	Amortised cost	276 143	263 979
VAT Receivable			
VAT Control Accounts	Amortised cost	12 850 560	19 836 097
Cash and cash equivalents			
Bank and cash on hand	Amortised cost	65 212 348	9 777 389
Other Cash Equivalents	Amortised cost	70 633 984	102 165 057
<b>SUMMARY OF FINANCIAL ASSETS</b>			
Amortised cost			
Investments	Listed investments	153 005	160 822
		<u>153 005</u>	<u>160 822</u>
Long-term Receivables			
Long-term Receivables	Loans to employees	0	0
Long-term Receivables	Sporting bodies	8 123	31 553
Long-term Receivables	Public organisations	77 834	188 933
Long-term Receivables	Housing selling scheme loans	1 644 905	1 355 834
Receivables from exchange transactions			
Consumer Debtors	Service debtors	152 397 492	96 094 920
Consumer Debtors	Housing Rental Schemes	1 824 374	2 511 284
Consumer Debtors	Housing Selling Schemes	143 556	237 853
Other Debtors	Other Debtors	5 187 033	3 069 941
Receivables from non-exchange transactions			
Consumer Debtors	Service debtors - Rates	18 865 825	18 477 285
Other Debtors	Other Debtors	39 787 030	15 706 153
Current Portion of Long-term Receivables			
Current Portion of Long-term Receivables	Loans to employees	0	0
Current Portion of Long-term Receivables	Sporting bodies	15 773	30 071
Current Portion of Long-term Receivables	Public organisations	0	9 434
Current Portion of Long-term Receivables	Housing selling scheme loans	276 143	263 979
VAT Receivable	VAT Control Accounts	12 850 560	19 836 097
		<u>233 078 948</u>	<u>167 823 337</u>
At fair value			
Bank Balances and Cash	Bank Balances	65 212 348	9 777 389
Bank Balances and Cash	Short term investment deposits	70 633 984	102 165 057
		<u>135 846 333</u>	<u>111 942 456</u>
<b>Total Financial Assets</b>		<u><b>369 077 985</b></u>	<u><b>269 926 615</b></u>

No Loans and Receivables are designated as at Fair Value

## FINANCIAL LIABILITIES:

In accordance with GRAP 104 the Financial Liabilities of the municipality are classified as follows :

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	630 237 053	500 494 186
Consumer Deposits			
Electricity and Water	Amortised cost	25 925 779	22 138 506
Payables from exchange transactions			
Trade creditors	Amortised cost	74 521 956	68 914 487
Staff Leave	Amortised cost	21 262 893	17 695 745
Payments received in advance	Amortised cost	21 577 425	14 877 309
Other creditors	Amortised cost	73 535 810	56 125 600
Unspent Conditional Grants and Receipts			
Conditional Grants from other spheres of Government	Amortised cost	21 294 163	23 294 660
Other Conditional Receipts	Amortised cost	3 640 845	2 128 756
Bank Overdraft			
Bank Overdraft	Amortised cost	0	0
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	98 262 569	57 242 133

# SUMMARY OF FINANCIAL LIABILITIES

At Amortised cost		
Long-term Liabilities	Annuity Loans	630 237 053
Consumer Deposits	Electricity and Water	25 925 779
Creditors	Trade creditors	74 521 956
Creditors	Staff Leave	21 262 893
Creditors	Payments received in advance	21 577 425
Unspent Conditional Grants and Receipts	Other creditors	73 535 810
Unspent Conditional Grants and Receipts	Conditional Grants from other spheres of Government	21 294 163
Bank Overdraft	Other Conditional Receipts	3 640 845
Current Portion of Long-term Liabilities	Bank Overdraft	0
	Annuity Loans	98 262 569
		57 242 133
Total Financial Liabilities		970 258 492
		764 886 927

## 46.2 Fair Value of Financial Instruments

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values, except for the listed Government stock. In accordance with IAS 39.09 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	2013		2012	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
<b>FINANCIAL ASSETS</b>				
Amortised cost	153 005	153 005	112 000	160 822
Listed Investments	153 005	153 005	112 000	160 822
Amortised cost	368 633 064	368 633 064	269 477 010	269 477 010
Long-term Receivables	1 438 946	1 438 946	1 282 835	1 282 835
Receivables from exchange transactions	159 552 456	159 552 456	101 913 998	101 913 998
Receivables from non-exchange transactions	58 652 855	58 652 855	34 183 437	34 183 437
Current Portion of Long-term Receivables	291 916	291 916	303 485	303 485
VAT Receivable	12 850 560	12 850 560	19 836 097	19 836 097
Bank Balances and Cash	135 846 333	135 846 333	111 957 158	111 957 158
Total Financial Assets	368 786 069	368 786 069	269 589 010	269 637 832
<b>FINANCIAL LIABILITIES</b>				
At amortised cost:	871 995 922	871 995 922	707 644 794	707 644 794
Unsecured Bank Facilities:	531 974 484	531 974 484	443 252 053	443 252 053
- Annuity Loans	531 974 484	531 974 484	443 252 053	443 252 053
- Bank Overdraft	0	0	0	0
Trade and Other Payables:	340 021 438	340 021 438	264 392 741	264 392 741
- Consumer Deposits	25 925 779	25 925 779	22 138 506	22 138 506
- Payables from exchange transactions	190 898 083	190 898 083	157 613 141	157 613 141
- Unspent Conditional Grants	24 935 006	24 935 006	27 398 961	27 398 961
- Current Portion of Long-term Liabilities	98 262 569	98 262 569	57 242 133	57 242 133
Total Financial Liabilities	871 995 922	871 995 922	707 644 794	707 644 794
Total Financial Instruments	(503 209 852)	(503 209 852)	(438 055 784)	(438 006 962)

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

The Fair Value of Long term liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of Other Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

The Annual Financial Statements include holdings in Listed Government Stock which are measured at amortised cost (note 14). Fair Value is estimated with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

### Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on

#### Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

#### Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using

#### Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable

30 June 2013

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
Financial Instruments at Fair Value:				
Listed Investments	153 005	-	-	153 005
Call Deposits	-	-	-	-
Short-term Portion of Investments	-	-	-	-
Bank Balances and Cash	-	-	-	-
<b>Total Financial Assets</b>	<b>153 005</b>	<b>-</b>	<b>-</b>	<b>153 005</b>
<b>FINANCIAL LIABILITIES</b>				
Financial Instruments at Fair Value:				
Other Loans	-	-	-	-
Bank Overdraft	-	-	-	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Financial Instruments</b>	<b>153 005</b>	<b>-</b>	<b>-</b>	<b>153 005</b>

30 June 2012

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
Financial Instruments at Fair Value:				
Listed Investments	160 822	-	-	160 822
Call Deposits	-	-	-	-
Short-term Portion of Investments	-	-	-	-
Bank Balances and Cash	-	-	-	-
<b>Total Financial Assets</b>	<b>160 822</b>	<b>-</b>	<b>-</b>	<b>160 822</b>
<b>FINANCIAL LIABILITIES</b>				
Financial Instruments at Fair Value:				
Other Loans	-	-	-	-
Bank Overdraft	-	-	-	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Financial Instruments</b>	<b>160 822</b>	<b>-</b>	<b>-</b>	<b>160 822</b>

#### 46.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 5; Cash and Cash Equivalents disclosed in Note 21; and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Notes 1 to 3 and the Statement of Changes in Net Assets.

##### Gearing Ratio

The gearing ratio at the year-end was as follows:

Debt	630 237 053	500 494 186
Equity	3 549 574 492	3 579 287 290
Net debt to equity ratio	17.76%	13.98%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 5.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.C2066+C2042

#### 46.4 Financial Risk Management Objectives

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

#### 46.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

#### 46.6 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 47.8 below). No formal policy exists to hedge volatilities in the

#### 46.7 Interest Rate Risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest. Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances. The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the Municipality's interest bearing external loan liabilities, as detailed in No interest rate sensitivity analysis was performed, as the municipality is not exposed to variable interest rates on outstanding liabilities. The municipality's maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Effect of a change in interest rate on interest bearing financial assets and liabilities

		R 2013
<b>Financial Assets</b>	<b>Classification</b>	
<b>External investments:</b>		
Fixed Deposits	Amortised cost	153 005
Call Deposits	Amortised cost	70 633 984
Bank Balances	Amortised cost	65 198 648
Cash Floats and Advances	Amortised cost	13 700
		<u>135 999 337</u>
<b>Interest received</b>		
Interest Earned - External Investments		<u>8 105 540</u>
<b>Interest rate</b>		<u>4%</u>
<b>Effect of a change in interest rate on interest earned from external investments:</b>		
Effect of change in interest rate	%	3%
Effect of change in interest rate	Rand value	<u>4 745 546</u>
<b>Effect of change in interest rate</b>	<b>%</b>	<b>5%</b>
Effect of change in interest rate	Rand value	<u>7 465 533</u>
<b>Outstanding debtors:</b>		
Receivables from exchange transactions	Amortised cost	159 552 456
Receivables from Non exchange transactions	Amortised cost	58 652 855
Staff loans - current portion	Amortised cost	
		<u>218 205 310</u>
<b>Interest received</b>		
Interest Earned - Outstanding Debtors		<u>10 922 408</u>
<b>Interest rate</b>		<u>5%</u>
<b>Effect of a change in interest rate on interest earned from outstanding debtors</b>		
Effect of change in interest rate	%	4%
Effect of change in interest rate	Rand value	<u>8 740 355</u>
<b>Effect of change in interest rate</b>	<b>%</b>	<b>6%</b>
Effect of change in interest rate	Rand value	<u>13 104 461</u>
<b>Financial Liabilities</b>	<b>Classification</b>	
<b>Long-term Liabilities</b>		
Annuity Loans	Amortised cost	630 237 053
Finance leases	Amortised cost	
		<u>630 237 053</u>
<b>Interest paid</b>		
Long-term Liabilities		<u>49 275 660</u>
<b>Interest rate %</b>		<u>8%</u>
<b>Effect of a change in interest rate on interest paid on long-term liabilities</b>		
Effect of change in interest rate	%	7%
Effect of change in interest rate	Rand value	<u>42 973 269</u>
<b>Effect of change in interest rate</b>	<b>%</b>	<b>9%</b>
Effect of change in interest rate	Rand value	<u>55 578 030</u>

#### 46.8 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The Municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the Municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

#### 46.9 Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 JUNE 2013

Description	Average Effective Interest Rates	6 Months or less	6 - 12 Months	1 - 2 Years	Total carried forward
	%	R	R	R	R
<b>FIXED RATE INSTRUMENTS</b>					
Unsecured Bank Facilities		(78 304 532)	(154 816 975)	(278 907 841)	(512 029 347)
Loan No 10618/4 DBSA	10.80%	(1 792 407)	(1 792 726)	0	(3 585 133)
Loan No 10618/4 DBSA	11.48%	(4 219 688)	(8 439 372)	-16 878 743	(29 537 801)
Loan No 10618/4 DBSA	6.75%	(849 243)	(1 698 485)	-3 396 973	(5 944 702)
Loan No 00-0001 INCA	9.30%	(2 282 620)	(4 565 240)	-6 847 860	(13 695 721)
Loan No 00-00001 ABSA BANK	10.03%	(1 843 201)	(3 686 402)	-7 372 803	(12 902 406)
Loan No NEDBANK	9.21%	(1 674 437)	(3 348 875)	-6 597 749	(11 721 061)
Loan No 783 103 0646 NEDBANK	12.65%	(8 794 540)	(17 589 080)	-35 178 160	(61 561 780)
Loan No 783 103 0646 NEDBANK	10.22%	(859 017)	(1 718 033)	-859 017	(3 436 066)
Loan No NEDBANK	10.64%	(6 053 205)	(12 106 410)	-24 212 819	(42 372 434)
Loan No NEDBANK	7.75%	(2 822 483)	(5 644 965)	-2 822 483	(11 289 931)
Loan No NEDBANK	8.18%	(4 614 606)	(9 229 213)	-18 458 425	(32 302 244)
Loan No NEDBANK	8.63%	(2 554 560)	(5 109 120)	-10 218 240	(17 881 919)
Loan No NEDBANK	9.14%	(9 579 182)	(19 158 364)	-38 316 728	(67 054 274)
Loan No NEDBANK	7.75%	(13 813 539)	(27 627 077)	-41 440 616	(82 881 232)
Loan No 072-154-314 STANDARD BANK	8.79%	(4 852 544)	(9 725 087)	-19 450 174	(34 037 805)
Loan No 072-154-411 STANDARD BANK	10.25%	(3 041 059)	(6 082 119)	-12 164 237	(21 287 415)
Loan No 072-000-000 STANDARD BANK	10.40%	(3 973 911)	(7 947 823)	-15 895 646	(27 817 380)
	10.08%	(4 674 282)	(9 348 584)	-18 697 168	(32 720 043)
<b>Total Fixed Rate Instruments</b>		<b>(78 304 532)</b>	<b>(154 816 975)</b>	<b>(278 907 841)</b>	<b>(512 029 347)</b>
<b>VARIABLE RATE INSTRUMENTS</b>					
<b>Total Variable Rate Instruments</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

30 JUNE 2013

Description	Average Effective Interest Rates	Total brought forward	3 - 5 Years	More than 5 Years	Total
	%	R	R	R	R
<b>FIXED RATE INSTRUMENTS</b>					
Unsecured Bank Facilities		(512 029 347)	(328 825 987)	(9 579 182)	(864 457 392)
Loan No 10618/4 DBSA	10.80%	(3 585 133)	0	0	(3 585 133)
Loan No 10618/4 DBSA	11.48%	(29 537 801)	(21 098 429)	0	(50 636 230)
Loan No 10618/4 DBSA	6.75%	(5 944 702)	(4 246 216)	0	(10 190 918)
Loan No 00-0001 INCA	9.30%	(13 695 721)	0	0	(13 695 721)
Loan No 00-00001 ABSA BANK	10.03%	(12 902 406)	(5 529 602)	0	(18 432 008)
Loan No NEDBANK	9.21%	(11 721 061)	(11 721 061)	0	(23 442 123)
Loan No 783 103 0646 NEDBANK	12.65%	(61 561 780)	(26 383 620)	0	(87 945 400)
Loan No 783 103 0646 NEDBANK	10.64%	(3 436 066)	0	0	(3 436 066)
Loan No NEDBANK	10.22%	(42 372 434)	(54 478 843)	0	(96 851 277)
Loan No NEDBANK	7.75%	(11 289 931)	0	0	(11 289 931)
Loan No NEDBANK	8.18%	(32 302 244)	(4 614 606)	0	(36 916 850)
Loan No NEDBANK	8.63%	(17 881 919)	(12 772 799)	0	(30 654 719)
Loan No NEDBANK	9.14%	(67 054 274)	(95 791 820)	-9 579 182	(172 425 276)
Loan No NEDBANK	7.75%	(82 881 232)	0	0	(82 881 232)
Loan No NEDBANK	8.79%	(34 037 805)	(14 587 631)	0	(48 625 435)
Loan No 072-154-314 STANDARD BANK	10.25%	(21 287 415)	(3 041 059)	0	(24 328 474)
Loan No 072-154-411 STANDARD BANK	10.40%	(27 817 380)	(27 817 380)	0	(55 634 760)
Loan No 072-000-000 STANDARD BANK	10.08%	(32 720 043)	(46 742 919)	-14 022 875	(93 485 838)
<b>Total Fixed Rate Instruments</b>		<b>(512 029 347)</b>	<b>(328 825 987)</b>	<b>(9 579 182)</b>	<b>(864 457 392)</b>
<b>VARIABLE RATE INSTRUMENTS</b>					
<b>Total Variable Rate Instruments</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

30 JUNE 2012

Description	Average Effective Interest Rates	6 Months or less	6 - 12 Months	1 - 2 Years	Total carried forward
	%	R	R	R	R
<b>FIXED RATE INSTRUMENTS</b>					
Unsecured Bank Facilities		(53 279 720)	(106 559 441)	(204 060 479)	(363 899 639)
Loan No 10618/4 DBSA	10.80%	(1 792 407)	(3 584 815)	-1 792 726	(7 169 948)
Loan No 10618/4 DBSA	11.48%	(4 219 688)	(8 439 372)	-16 878 743	(29 537 801)
Loan No 10618/4 DBSA	6.75%	(849 243)	(1 698 485)	-3 396 973	(5 944 702)
Loan No 00-0001 INCA	9.30%	(2 282 620)	(4 565 240)	-8 130 481	(15 978 341)
Loan No NEDBANK	10.03%	(1 843 201)	(3 686 402)	-7 372 803	(12 902 406)
Loan No 783 103 0646 NEDBANK	12.65%	(8 794 540)	(17 589 080)	-35 178 160	(61 561 780)
Loan No 783 103 0646 NEDBANK	10.22%	(859 017)	(1 718 033)	-2 577 050	(5 154 100)
Loan No NEDBANK	10.64%	(6 053 205)	(12 106 410)	-24 212 819	(42 372 434)
Loan No NEDBANK	7.75%	(2 822 483)	(5 644 965)	-8 467 448	(16 934 896)
Loan No NEDBANK	8.18%	(4 614 606)	(9 229 213)	-18 458 425	(32 302 244)
Loan No NEDBANK	8.63%	(2 554 560)	(5 109 120)	-10 218 240	(17 881 920)
Loan No NEDBANK	9.14%	(9 579 182)	(19 158 364)	-38 316 728	(67 054 274)
Loan No 072-154-314 STANDARD BANK	10.25%	(3 041 059)	(6 082 119)	-12 164 237	(21 287 415)
Loan No 072-154-411 STANDARD BANK	10.40%	(3 973 911)	(7 947 823)	-15 895 646	(27 817 380)
<b>Total Fixed Rate Instruments</b>		<b>(53 279 720)</b>	<b>(106 559 441)</b>	<b>(204 060 479)</b>	<b>(363 899 639)</b>
<b>VARIABLE RATE INSTRUMENTS</b>					
<b>Total Variable Rate Instruments</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

30 JUNE 2012

Description	Average Effective Interest Rates	Total brought forward	3- 5 Years	More than 5 Years	Total
	%	R	R	R	R
<b>FIXED RATE INSTRUMENTS</b>					
Unsecured Bank Facilities		(363 899 639)	(267 046 168)	(28 737 546)	(659 683 353)
Loan No 10618/4 DBSA	10.80%	(7 169 948)	-	0	(7 169 948)
Loan No 10618/4 DBSA	11.48%	(29 537 801)	(29 537 801)	0	(59 075 602)
Loan No 10618/4 DBSA	6.75%	(5 944 702)	(5 944 702)	0	(11 889 404)
Loan No 00-0001 INCA	9.30%	(15 978 341)	(12 282 620)	0	(18 260 961)
Loan No 00-0001 INCA	10.03%	(12 902 406)	(12 902 406)	0	(25 804 811)
Loan No NEDBANK	12.65%	(61 561 780)	(43 972 700)	0	(105 534 480)
Loan No 763 103 0646 NEDBANK	10.22%	(5 154 100)	0	0	(5 154 100)
Loan No 763 103 0646 NEDBANK	10.64%	(42 372 434)	0	0	(42 372 434)
Loan No NEDBANK	7.75%	(16 934 896)	0	0	(16 934 896)
Loan No NEDBANK	8.18%	(32 302 244)	(13 843 819)	0	(46 146 063)
Loan No NEDBANK	8.63%	(17 881 920)	(17 881 918)	0	(35 763 839)
Loan No NEDBANK	9.14%	(67 054 274)	(95 791 820)	(28 737 546)	(191 583 640)
Loan No 072-154-314 STANDARD BANK	10.25%	(21 287 415)	(9 123 178)	0	(30 410 593)
Loan No 072-154-411 STANDARD BANK	10.40%	(27 817 380)	(35 765 203)	0	(63 582 583)
<b>Total Fixed Rate Instruments</b>		<b>(363 899 639)</b>	<b>(267 046 168)</b>	<b>(28 737 546)</b>	<b>(659 683 353)</b>
<b>VARIABLE RATE INSTRUMENTS</b>					
		0	0	0	0
<b>Total Variable Rate Instruments</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The municipality has access to financing facilities, the total unused amount which is R5 million at the balance sheet date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

#### 46.10 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The Municipality manages credit risk in its borrowing and investing activities by only dealing with well-established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the Municipality's credit control and debt collection policy. The Municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and note 19 to the financial statements.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Investments	153 005	160 822
Long-term Receivables	4 618 395	5 300 470
Receivables from Exchange Transactions	310 787 160	283 268 074
Receivables from Non - Exchange Transactions	44 974 063	18 776 094
VAT receivable	12 850 560	19 836 097
Bank and Cash Balances	135 846 333	111 957 156
<b>Maximum Credit and Interest Risk Exposure</b>	<b>509 229 516</b>	<b>419 298 713</b>

#### 46.11 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

#### 47 RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible Councilors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R31,460,081 (2012: R18,126,900) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

##### CAPE JOINT PENSION FUND

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

##### Defined Benefit Scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% (period 30 June 2009 - 31 January 2012) and 23.06 % (period 1 February 2012 - 30 June 2012) by their councils. The actuarial valuation report at 30 June 2012 disclosed an actuarial valuation amounting to R3,014,878 million (30 June 2011 : R2 971 150 million), with a net accumulated deficit of R18,287 million (R58 935 million), with a funding level of 99.4 % (30 June 2011 : 98.1%).

##### Defined Contribution Scheme

The actuarial valuation report at 30 June 2012 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R421.9 million (30 June 2011 : R 386 570 million), net investment reserve of R21,231 million (30 June 2011 : R15 285 million) and a funding level of 105.3% (2011 : 104.1%).

##### CAPE JOINT RETIREMENT FUND

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R11,348,285 million (30 June 2011: R 9 930,837 million), with funding levels of 99.9% and 108% (30 June 2011: 100.03% and 116.9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7.50%) and the municipalities (19.50%) is sufficient to fund the benefits accruing from the fund in the future.

##### SALA PENSION FUND

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R 8,753.4 million (30 June 2011 R 8,015 million), with funding levels of 100% (30 June 2011: 98.1%). The highest contribution rate paid by the members was 9% and by Council 18%.

The trustees have subsequently agreed with the Financial Services Board on a revised scheme of arrangement. As part of the new scheme of arrangement, the fund's benefits have been restructured to ease the pressure on the required future service contribution rate.

It is the actuary's opinion that the fund can be regarded as financially sound at the valuation date.

##### MUNICIPAL COUNCILLORS' PENSION FUND

The Municipal Councilors Pension Fund operates as a defined contribution scheme. The actuarial valuation of the fund was undertaken prior to 2012 was at 30 June 2009 and it was reported to be in a sound financial position. The contribution rate paid by the members (13.75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. Although the last actuarial valuation was performed on 30 June 2012 the actuarial valuation had not been made public at the date of completion of these financial statements.



#### NATIONAL FUND FOR MUNICIPAL WORKERS

The above mentioned fund is a defined contribution Fund and according to Regulation 2 of the Pension Funds Act no 24 of 1956 exempt from the provisions of sections 9A and 16 of the Act. The contribution rate paid by the members (9.00 %) and council (18.00 %).

The latest statutory valuation was done on 01 July 2008, and at this date the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs. Although the last actuarial valuation was performed on 30 June 2012, the actuarial valuation had not been made public at the date of completion of these financial statements.

#### SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The SAMWU National Provident Fund is a defined contribution scheme. The contribution rate paid by the members (5%) and council (12%) is sufficient to fund the benefits accruing from the fund in the future. The last actuarial valuation of the fund was performed at 30 June 2005 and the fund was certified as being in a financially sound position. The next statutory valuation was due not later than 30 June 2008. Valuation not yet received.

#### 48 CONTINGENT LIABILITY

##### Nova Packhouse (Pty) Ltd

###### Claim for damages

The Municipality is being sued by Nova Packhouse (Pty) Ltd for losses suffered when a building was severely damaged by fire. Council is waiting for legal advice. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled.

114 563 595	114 563 595
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##### Paarl Print

###### Claim for damages

The Municipality is being sued by Paarl Print for losses suffered when a building was severely damaged by fire. Council is waiting for legal advice. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled.

448 819 504	448 819 504
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##### Paarl Print

###### Claim for damages

The Municipality is being sued by Paarl Print for losses suffered when a building was severely damaged by fire. Council is waiting for legal advice. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled.

2 000 000	2 000 000
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##### Fire Fighting Services

###### Claim for services rendered

Fire Fighting charges incurred by Cape Winelands District Municipality, on behalf of Drakenstein Municipality.

1 287 012	1 287 012
-----------	-----------

##### Fire Paarl Mountain

###### Claims for damages

The Municipality is being sued by JA Cilfit (Pty) Ltd for losses suffered by fire. Council is waiting for legal advice. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled.

2 248 954	2 248 954
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##### SARS Dispute - June 2009

SARS conducted a VAT audit for the period June 2009 during the 2011/12 year. SARS indicated that an amount of R1,145,000 will be held back, due to incorrect claims. The Municipality has indicated its intent to declare a dispute on certain interpretations applied and the apportionment methodology used by SARS in determining the amount held back. Consequently an amount of R1,145,000 is considered to be a contingent asset, as there is currently uncertainty whether the Municipality will be able to recover the abovementioned amount claimed from SARS.

Furthermore due to the dispute above a contingent liability amounting to R493,822.24 due to SARS exists for the assessment period June 2009.

493 822	493 822
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##### Guarantees of employee housing loans

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans. This is partially covered by individual accumulated pensions depending on the years of service. Collateral investments were made in certain cases. The maximum amount of the guarantee in the event of the default is R 0,00 (2012: R476)

0	476
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##### TASK wage curve dispute

In 2010 the trade union IMATU initiated court proceedings against SALGA asking the Court to rectify the 2010 Wage Curve Agreement as it did not accurately reflect what the parties had originally agreed to in terms of the TASK wage curve. In 2010 the trade union IMATU initiated court proceedings against SALGA asking the Court to rectify the 2010 Wage Curve Agreement as it did not accurately reflect what the parties had originally agreed to in terms of the TASK wage curve. In 2012 the Court ruled in IMATU's favour in regards to the wage curve dispute. SALGA reviewed the ruling and appealed the judgment during July 2013. A facilitator between the relevant parties proposed a 14th cheque, which required all relevant parties to obtain a mandate regarding it. SALGA did not agree with the facilitator's proposal and the appeal proceeded in the Labour Appeal court. Subsequent to the appeal by SALGA, the Labour Court delivered an order on the 8th of October 2013. The court stated that it was clear that the dispute between the parties is a mutual interest dispute.

The effect of the order by the Labour Appeal court is that the TASK wage-curve dispute has been dismissed, with that the facilitator's proposed 14th cheque.

The relevant parties should now negotiate the matter between them and find a resolution to the dispute. As no negotiations have started, it is not possible to reliably estimate the obligation or possible obligation on the Municipality.

##### De Poort Heritage Village Legal Fees dispute

During the year a legal matter was settled between the Municipality and the De Poort Heritage Village. In the judgement of the case the presiding Judge Saldanha stated that the legal costs of De Poort was for the account of the Municipality. As the judgement was unclear over whether the order of costs included both De Poort's councils the Municipality is currently in dispute over it. The maximum costs is estimated to be in the region of R300 000.

300 000	300 000
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#### 49 BIOLOGICAL ASSETS

The Municipality has various species of Proteacea growing on the Paarlberg (Erf 1 Paarl), a National heritage site. Due to the fact that the plants are growing in a nature reserve it is protected by the Nature Conservation Act 19 of 1974 a special permit must be obtained to harvest any seeds produced by these plants. These plant grow wild and is exposed to natural conditions such as fire, furthermore there is no input cost by the municipality in order to enhance the growth of these plants or to control it as what would normally be seen in an agricultural activity. These plants produce seedlings on a yearly basis that can result in plants but the municipality cannot determine the quantity of plants as these plants are all in different stages of growth. For the reasons above these plants are not recognised and accounted for in terms of GRAP 101, Agriculture.

50 REPORTING OF PERFORMANCE AGAINST THE BUDGET

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal Budget regulations as well as MFMA Budget circulars. In accordance with the Municipal Budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material it is explained in the explanations below:

The reasons for changes between the approved (Adjustment Budget) and final figures are related to virements within Votes and explained as follows:

Statement of Financial Performance

Property Rates - Penalties imposed and collection charges	Increase in penalties due to more penalties raised due to late payments of debtor accounts
Fines	Due to the issuing of more fines and the payment of fines that increased.
Other Receipts	More income received due to depreciation written back
Impairment Losses	Due to no budget to capaire the expenses to
Grants and Subsidies Paid	Under payment due to service level agreements not in place.

Capital Expenditure per function

Executive and Council	Due to general equipment not purchased
Budget and Treasury Office	Due to general equipment not purchased
Sport and Recreation	Due to general equipment not purchased
Public Safety	Due to general equipment not purchased
Housing	Due to general equipment not purchased
Health	Due to general equipment not purchased
Waste Management	Due to general equipment not purchased

51 REPORTING AGAINST THE FRAMEWORK FOR SCHEDULE 4 DORA ALLOCATIONS

Submit project registrations and detail project implementation plans before the prescribed due dates.  
Department of provincial and Local Government is monitoring the overall programme implementation.

52 Registered MIG programmes for the 2012/2013 financial year

	Received	Expenditure	Closing Balance
Sportsfields Lighting (MIG)	1 000 000	970 274	29 726
PMU: MIG	852 120	852 120	0
Bulk Gravity Outfall Sewer Paarl South -	14 922 886	14 922 885	1
Upgrade and Extensions to Paarl WWTW PHA	3 250 000	3 250 000	0
Wellington WWTW: Rehabilitation & Extension	1 000 000	1 000 000	0
Pentz Street Pump Station & New Rising M	5 547 880	5 542 762	5 088
11 ML Newton Reservoir (MIG)	100 000	100 000	0
Upgrading of water supply to Newton area	6 643 000	6 643 000	0
Water Treatment Works: Paarl Mountain	687 000	687 000	0
	<b>35 002 886</b>	<b>34 958 072</b>	<b>34 814</b>

53 STATEMENT OF FINANCIAL PERFORMANCE SURPLUS / (DEFICIT)

Total Revenue	1 351 689 539	1 163 323 893
Total Expenditure	1 343 415 074	1 198 842 080
	<b>8 274 465</b>	<b>-35 518 188</b>
	<b>87 532 741</b>	<b>82 796 086</b>
Min : Revenue from Capital grants	-56 630 808	-86 430 669
Plus: Provision for Bad debts	48 121 218	28 135 678
Plus: Depreciation	153 284 860	156 972 138
Min : Redemption	-57 242 528	-35 881 062
	<b>95 807 206</b>	<b>47 277 898</b>
Revised Surplus / (Deficit) for the year		

54 UTILISATION OF CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	135 846 333	111 957 156
	<b>101 519 817</b>	<b>96 668 949</b>
Capital Replacement Reserve	20 093 486	22 768 563
Self Insurance Reserve	1 745 224	1 934 178
Unspent Conditional Grants	24 935 008	25 423 416
External Loans not spent	54 748 102	46 544 791
Cash available for activities	<b>34 326 515</b>	<b>15 288 207</b>

# APPENDIX A

## DRAKENSTEIN MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable Date	Balance at 1 July 2012	Received during the period	Capitalised during the period	Redeemed/ written off during the period	Balance at 30 June 2013
				R	R	R	R	R
<b>ANNUITY AND OTHER LOANS</b>								
DBSA	13.68%	101633/1	2012	0	0	0	0	0
DBSA	10.74%	100618/3	2011	13	0	0	0	13
DBSA	10.80%	100618/4	2014	6 294 889	0	0	2 981 777	3 313 112
DBSA	11.48%	103485/4	2018	39 852 452	0	0	3 974 718	35 877 734
DBSA	6.75%	103485/5	2018	9 368 415	0	0	1 084 885	8 283 530
ABSA BANK	9.21%			0	17 000 000	0	0	17 000 000
NEDBANK	12.65%	49793540000	2018	72 422 012	0	0	8 692 700	63 729 313
NEDBANK	10.22%	1957327022	2015	4 345 723	0	0	1 307 548	3 038 176
NEDBANK	10.64%	7831030646	2021	68 980 128	0	0	4 885 880	64 094 248
NEDBANK	7.75%	05/7831030646/5	2015	14 842 246	0	0	4 565 110	10 277 136
NEDBANK	8.18%	05/7831030646/6	2017	37 223 420	0	0	6 266 878	30 956 542
NEDBANK	8.63%	05/7831030646/3	2019	26 400 000	0	0	2 859 020	23 540 980
NEDBANK	9.14%	05/7831030646/4	2022	123 692 029	0	0	7 869 227	115 822 802
NEDBANK	7.75%				73 085 000		0	73 085 000
NEDBANK	8.79%				38 900 000		0	38 900 000
STANDARD BANK	10.25%	72154314	2017	23 334 602	0	0	3 783 611	19 550 991
STANDARD BANK	10.40%	72154411	2020	42 447 881	0	0	3 623 417	38 824 464
STANDARD BANK	10.08%				58 000 000		0	58 000 000
INCA	9.30%	Loan A	2016	14 947 517	0	0	3 241 399	11 706 118
INCA	10.03%	Loan B	2018	16 343 403	0	0	2 106 359	14 237 044
<b>TOTAL EXTERNAL LOANS</b>				<b>500 494 729</b>	<b>186 985 000</b>	<b>0</b>	<b>57 242 528</b>	<b>630 237 188</b>

**APPENDIX B  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013**

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013														COST		Accumulated Depreciation					Carrying Value R
Opening Balance R	Transfers/ Adjustments R	Work In Progress R	Additional Disposals R	Closing Balance R	Opening Balance R	Transfers/ Adjustments R	Retained Opening Balance R	Differences in Transactions R	Transfer/ Adjustments R	Depreciation and Impairments R	Disposals R	Closing Balance R	Closing Balance R								
Land and Buildings																					
Land	928 110 529	47 746 005	858 310 564	0	858 310 564	0	0	858 310 564	0	0	0	0	0	858 310 564							
Buildings	1 073 821 723	(3 655 035)	1 070 166 688	0	1 070 166 688	0	0	1 070 166 688	0	0	0	0	0	1 070 166 688							
Infrastructure																					
Drains	130 349 467	0	130 349 467	0	130 349 467	0	0	130 349 467	0	0	0	0	0	130 349 467							
Roads	1 030 743 510	0	1 030 743 510	0	1 030 743 510	0	0	1 030 743 510	0	0	0	0	0	1 030 743 510							
Electricity Meters	1 571 187 913	0	1 571 187 913	0	1 571 187 913	0	0	1 571 187 913	0	0	0	0	0	1 571 187 913							
Electricity Meter Local Equipment	215 023 395	0	215 023 395	0	215 023 395	0	0	215 023 395	0	0	0	0	0	215 023 395							
Water Meters & Purification	236 949 279	0	236 949 279	0	236 949 279	0	0	236 949 279	0	0	0	0	0	236 949 279							
Reameters - Water	38 742 881	0	38 742 881	0	38 742 881	0	0	38 742 881	0	0	0	0	0	38 742 881							
Water Meters	275 307 854	0	275 307 854	0	275 307 854	0	0	275 307 854	0	0	0	0	0	275 307 854							
Water Purification	547 233 321	0	547 233 321	0	547 233 321	0	0	547 233 321	0	0	0	0	0	547 233 321							
Waterage Mains & Purification																					
Waterage Mains	4 650 749 492	(28 853 831)	4 621 895 661	0	4 621 895 661	0	0	4 621 895 661	0	0	0	0	0	4 621 895 661							
Waterage Purification	18 405 847	0	18 405 847	0	18 405 847	0	0	18 405 847	0	0	0	0	0	18 405 847							
Waterage Meters	35 349 551	0	35 349 551	0	35 349 551	0	0	35 349 551	0	0	0	0	0	35 349 551							
Waterage Equipment	103 033 150	(755 838)	102 277 312	0	102 277 312	0	0	102 277 312	0	0	0	0	0	102 277 312							
Remediation Grounds																					
Remediation Grounds	17 117 302	0	17 117 302	0	17 117 302	0	0	17 117 302	0	0	0	0	0	17 117 302							
Crane Buildings																					
Crane Buildings	250 109 097	(14 338 452)	235 770 645	0	235 770 645	0	0	235 770 645	0	0	0	0	0	235 770 645							
Heating Rental 1																					
Heating Rental 1	250 109 097	(14 338 452)	235 770 645	0	235 770 645	0	0	235 770 645	0	0	0	0	0	235 770 645							
LEASING ASSETS																					
Office Equipment	853 032	(853 032)	0	0	0	0	0	0	0	0	0	0	0	0							
Other Assets																					
Office Equipment	104 029 488	39 441 864	143 471 352	0	143 471 352	0	0	143 471 352	0	0	0	0	0	143 471 352							
Furniture & Fixtures	11 651 000	0	11 651 000	0	11 651 000	0	0	11 651 000	0	0	0	0	0	11 651 000							
Books & Computers	4 186 026	0	4 186 026	0	4 186 026	0	0	4 186 026	0	0	0	0	0	4 186 026							
Audio-Visual Equipment	99 915 332	0	99 915 332	0	99 915 332	0	0	99 915 332	0	0	0	0	0	99 915 332							
Audio-Visuals	5 840 275	0	5 840 275	0	5 840 275	0	0	5 840 275	0	0	0	0	0	5 840 275							
Printers	2 550 346	0	2 550 346	0	2 550 346	0	0	2 550 346	0	0	0	0	0	2 550 346							
Computer Equipment	310 125 338	(43 892 425)	266 232 913	0	266 232 913	0	0	266 232 913	0	0	0	0	0	266 232 913							
CAPITAL SPARES																					
Capital Spares	0	0	0	0	0	0	0	0	0	0	0	0	0	0							
Total	8 050 330 613	(42 037 144)	8 008 293 469	0	8 008 293 469	0	0	8 008 293 469	0	0	0	0	0	8 008 293 469							

APPENDIX 8  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

	Cost										Accumulated Amortisation									
	Opening Balance R	Revenue Adjustments R	Retained Operating Balance R	Less Taken on R	Transfer to R	Work in Progress R	Additions R	Disposals R	Closing Balance R	Revalued Adjustments R	Retained Operating Balance R	Difference in Transfers R	Transfer Adjustments R	Additions R	Disposals R	Closing Balance R	Revenue Adjustments R	Retained Operating Balance R	Difference in Transfers R	Transfer Adjustments R
Intangible assets	11,538,572	0	0	0	0	0	4,397,295	0	15,935,821	-5,292,342	0	-5,292,342	0	0	-2,994,957	0	-7,815,199	0	0	0
	11,538,572	0	0	0	0	0	4,397,295	0	15,935,821	-5,292,342	0	-5,292,342	0	0	-2,994,957	0	-7,815,199	0	0	0
Total	11,538,572	0	0	0	0	0	4,397,295	0	15,935,821	-5,292,342	0	-5,292,342	0	0	-2,994,957	0	-7,815,199	0	0	0

[illegible]

8587	8588	8589	8590	8591	8592	8593	8594	8595	8596	8597	8598	8599	8600	8601	8602	8603	8604	8605	8606	8607	8608	8609	8610	8611	8612	8613	8614	8615	8616	8617	8618	8619	8620	8621	8622	8623	8624	8625	8626	8627	8628	8629	8630	8631	8632	8633	8634	8635	8636	8637	8638	8639	8640	8641	8642	8643	8644	8645	8646	8647	8648	8649	8650	8651	8652	8653	8654	8655	8656	8657	8658	8659	8660	8661	8662	8663	8664	8665	8666	8667	8668	8669	8670	8671	8672	8673	8674	8675	8676	8677	8678	8679	8680	8681	8682	8683	8684	8685	8686	8687	8688	8689	8690	8691	8692	8693	8694	8695	8696	8697	8698	8699	8700	8701	8702	8703	8704	8705	8706	8707	8708	8709	8710	8711	8712	8713	8714	8715	8716	8717	8718	8719	8720	8721	8722	8723	8724	8725	8726	8727	8728	8729	8730	8731	8732	8733	8734	8735	8736	8737	8738	8739	8740	8741	8742	8743	8744	8745	8746	8747	8748	8749	8750	8751	8752	8753	8754	8755	8756	8757	8758	8759	8760	8761	8762	8763	8764	8765	8766	8767	8768	8769	8770	8771	8772	8773	8774	8775	8776	8777	8778	8779	8780	8781	8782	8783	8784	8785	8786	8787	8788	8789	8790	8791	8792	8793	8794	8795	8796	8797	8798	8799	8800	8801	8802	8803	8804	8805	8806	8807	8808	8809	8810	8811	8812	8813	8814	8815	8816	8817	8818	8819	8820	8821	8822	8823	8824	8825	8826	8827	8828	8829	8830	8831	8832	8833	8834	8835	8836	8837	8838	8839	8840	8841	8842	8843	8844	8845	8846	8847	8848	8849	8850	8851	8852	8853	8854	8855	8856	8857	8858	8859	8860	8861	8862	8863	8864	8865	8866	8867	8868	8869	8870	8871	8872	8873	8874	8875	8876	8877	8878	8879	8880	8881	8882	8883	8884	8885	8886	8887	8888	8889	8890	8891	8892	8893	8894	8895	8896	8897	8898	8899	8900	8901	8902	8903	8904	8905	8906	8907	8908	8909	8910	8911	8912	8913	8914	8915	8916	8917	8918	8919	8920	8921	8922	8923	8924	8925	8926	8927	8928	8929	8930	8931	8932	8933	8934	8935	8936	8937	8938	8939	8940	8941	8942	8943	8944	8945	8946	8947	8948	8949	8950	8951	8952	8953	8954	8955	8956	8957	8958	8959	8960	8961	8962	8963	8964	8965	8966	8967	8968	8969	8970	8971	8972	8973	8974	8975	8976	8977	8978	8979	8980	8981	8982	8983	8984	8985	8986	8987	8988	8989	8990	8991	8992	8993	8994	8995	8996	8997	8998	8999	9000																																																																																																												
16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 374,40	16 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**APPENDIX C1**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)**  
2012/2013

DESCRIPTION	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (i.e. s28 and s31 of the MFMA)	FINAL ADJUSTMENTS BUDGET	SHIFTING OF FUNDS (i.e. s31 of the MFMA)	VERIMENT (i.e. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	ACTUAL OUTCOME AS % OF FINAL BUDGET	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET
<b>REVENUE - STANDARD</b>											
<b>GOVERNANCE AND ADMINISTRATION</b>											
EXECUTIVE AND COUNCIL	215 000 710	7 087 601	222 088 311	0	0	222 088 311	222 150 767	0	62 456	100.0%	103.3%
BUDGET AND TREASURY OFFICE	7 752 601	-123 202	7 629 399	0	0	7 629 399	9 430 516	0	1 801 117	123.6%	121.6%
CORPORATE SERVICES	202 213 836	9 110 943	211 324 779	0	0	211 324 779	203 863 793	0	-7 460 986	96.5%	100.9%
COMMUNITY AND PUBLIC SAFETY	5 034 273	-1 900 140	3 134 133	0	0	3 134 133	8 856 457	0	5 722 324	282.6%	175.9%
COMMUNITY AND SOCIAL SERVICES	107 539 825	-3 749 086	103 790 739	0	-4 730 747	99 059 992	111 701 184	0	12 641 192	112.8%	103.9%
SPORT AND RECREATION	3 855 187	174 669	3 859 856	0	2	3 869 858	3 772 446	0	-87 412	97.5%	102.1%
PUBLIC SAFETY	2 342 815	466 420	2 809 035	0	-4	2 809 031	2 443 045	0	-365 986	87.0%	104.3%
HOUSING	19 114 489	-3 332 557	15 781 932	0	0	15 781 932	16 608 988	0	825 057	105.2%	86.9%
HEALTH	82 385 434	-1 056 598	81 328 836	0	-4 730 745	76 598 091	88 877 459	0	12 279 368	116.0%	107.9%
<b>ECONOMIC AND ENVIRONMENTAL SERVICES</b>											
PLANNING AND DEVELOPMENT	9 260 352	12 447 568	21 707 920	0	-12 532 344	9 175 576	6 911 973	0	-2 263 603	75.3%	74.6%
ROAD TRANSPORT	5 275 575	-297 793	4 977 782	0	-0	4 977 782	3 978 649	0	-999 133	78.9%	75.4%
ENVIRONMENTAL PROTECTION	3 984 777	12 745 361	16 730 138	0	-12 532 344	4 197 794	2 933 324	0	-1 264 470	69.9%	73.6%
TRADING SERVICES	0	0	0	0	0	0	0	0	0	0.0%	0.0%
ELECTRICITY	1 040 760 751	-60 882 124	979 878 627	0	-77 112	979 801 515	1 010 925 616	0	31 124 100	103.2%	97.1%
WATER	723 442 593	-34 678 152	688 764 441	0	1	688 764 441	709 117 986	0	20 353 545	103.0%	98.0%
WASTE WATER MANAGEMENT	138 667 013	-17 787 179	120 879 834	0	1	120 899 835	129 525 571	0	8 625 736	107.1%	93.4%
WASTE MANAGEMENT	98 220 055	-3 586 022	94 634 033	0	-77 113	94 556 920	95 189 934	0	633 014	100.7%	96.9%
OTHER	80 411 090	-4 830 771	75 580 319	0	-0	75 580 319	77 092 124	0	1 511 805	102.0%	95.9%
<b>TOTAL REVENUE - STANDARD</b>	<b>1 372 561 637</b>	<b>-45 096 041</b>	<b>1 327 465 596</b>	<b>0</b>	<b>-17 340 202</b>	<b>1 310 125 394</b>	<b>1 351 689 539</b>	<b>0</b>	<b>41 564 145</b>	<b>103.2%</b>	<b>98.5%</b>
<b>EXPENDITURE - STANDARD</b>											
<b>GOVERNANCE AND ADMINISTRATION</b>											
EXECUTIVE AND COUNCIL	235 207 844	12 724 356	247 932 200	0	468 236	248 400 435	245 344 928	-3 540 264	3 055 506	98.8%	104.3%
BUDGET AND TREASURY OFFICE	60 844 484	-3 967 198	56 877 286	0	-143 130	56 734 156	57 034 050	-299 894	-299 894	100.5%	93.7%
CORPORATE SERVICES	57 010 530	-1 636 318	55 375 212	0	-49 987	55 325 225	58 565 596	-3 240 371	-3 240 371	105.9%	102.7%
COMMUNITY AND PUBLIC SAFETY	117 352 830	18 326 871	135 679 701	0	661 353	136 341 054	129 745 284	0	6 595 770	95.2%	110.6%
COMMUNITY AND SOCIAL SERVICES	234 112 877	-9 850 968	224 261 709	0	738 079	224 999 788	228 036 426	-5 531 637	-3 036 638	101.3%	97.4%
SPORT AND RECREATION	23 602 860	-1 570 691	22 032 169	0	77 055	22 109 254	21 554 555	0	554 699	97.5%	91.3%
PUBLIC SAFETY	48 588 423	2 361 170	50 949 593	0	-79 305	50 870 288	49 268 590	0	1 601 708	96.9%	101.4%
HOUSING	43 722 079	-2 419 337	41 302 742	0	637 319	41 940 061	42 404 702	-464 641	-464 641	101.1%	97.0%
HEALTH	112 658 379	-8 366 847	104 291 532	0	102 964	104 394 516	109 481 512	-5 066 998	-5 066 998	104.9%	97.2%
<b>ECONOMIC AND ENVIRONMENTAL SERVICES</b>											
PLANNING AND DEVELOPMENT	30 841 455	-38 281	30 803 174	0	-1 689 327	114 276 878	108 232 555	0	6 044 323	94.7%	102.9%
ROAD TRANSPORT	74 349 787	10 823 244	85 173 031	0	-388 976	30 414 199	28 859 840	0	1 544 358	94.9%	93.8%
ENVIRONMENTAL PROTECTION	0	0	0	0	-1 310 351	83 862 680	79 362 715	0	4 499 965	94.5%	106.7%
TRADING SERVICES	0	0	0	0	0	0	0	0	0	0.0%	0.0%
ELECTRICITY	749 543 244	7 716 457	757 259 701	0	465 010	757 744 711	761 783 503	-7 506 780	-4 038 792	100.5%	101.6%
WATER	582 491 769	-1 763 238	580 708 561	0	375 356	581 083 927	582 704 138	-1 620 211	-1 620 211	100.3%	100.0%
WASTE WATER MANAGEMENT	64 447 225	6 086 309	70 533 534	0	131 199	70 674 733	67 206 745	0	3 467 988	95.1%	104.3%
WASTE MANAGEMENT	55 516 149	2 493 868	58 010 017	0	248 440	58 258 457	59 466 167	-1 207 710	-1 207 710	102.1%	102.1%
OTHER	47 088 071	908 517	47 996 588	0	-269 964	47 727 594	52 406 453	-4 678 859	-4 678 859	109.8%	111.3%



# APPENDIX C1

## RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)

DESCRIPTION	2012/2013										
	ORIGINAL BUDGET 1	BUDGET ADJUSTMENTS (i.e. s28 and s31 of the MFMA) 2	FINAL ADJUSTMENTS BUDGET 3	SHIFTING OF FUNDS (i.e. s31 of the MFMA) 4	VERIMENT (i.e. Council approved by law) 5	FINAL BUDGET 6	ACTUAL OUTCOME 7	UNAUTHORISED EXPENDITURE 8	VARIANCE 9	ACTUAL OUTCOME AS % OF FINAL BUDGET 10	ACTUAL OUTCOME AS % OF ORIGINAL BUDGE 11
OTHER											
TOTAL - EXPENDITURE - STANDARD	1 324 055 007	21 374 807	1 345 429 814	0	-8 002	1 345 421 812	1 343 397 414	2 024 398	2 024 398	99.8%	101.5%
SURPLUS/(deficit) FOR THE YEAR	48 506 630	-23 721 234	-17 984 217	0	-17 332 201	-35 296 418	8 292 125		-43 588 543	-23.5%	17.1%

**APPENDIX C2**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTE)**

DESCRIPTION	2012/2013										
	1	2	3	4	5	6	7	8	9	10	11
	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (i.t.c. s28 and s31 of the MFMA)	FINAL ADJUSTMENTS BUDGET	SHIFTING OF FUNDS s31 of the MFMA	VERIMENT (i.t.c. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	AUCTIONAL OUTCOME AS % OF FINAL BUDGET	AUCTIONAL OUTCOME AS % OF ORIGINAL BUDGET
Revenue by Vote											
OFFICE OF THE MUNICIPAL MANAGER	0	12 598	12 598	0	0	12 598	0	0	12 598	0.0%	0.0%
CORPORATE SERVICES	12 749 170	-2 139 638	10 609 532	0	0	10 609 532	18 104 280	0	-7 494 748	170.6%	142.0%
COMMUNITY SERVICES	187 948 813	-8 578 837	179 369 976	0	-4 730 745	174 639 231	188 792 063	0	-14 152 832	108.1%	100.4%
FINANCIAL SERVICES	202 213 839	9 110 940	211 324 779	0	0	211 324 779	203 933 144	0	7 391 635	96.5%	100.9%
PLANNING AND ECONOMIC DEVELOPMENT	5 277 875	-311 411	4 966 264	0	0	4 966 264	3 979 894	0	986 370	80.1%	75.4%
INFRASTRUCTURE SERVICES	964 372 140	-43 189 692	921 182 448	0	-12 609 458	908 572 990	936 880 157	0	-28 307 167	103.1%	97.1%
Total Revenue by Vote	1 372 561 837	-45 098 040	1 327 465 597	0	-17 340 203	1 310 125 394	1 351 689 539	0	-41 564 145	103.2%	98.5%
Expenditure by Vote to be appropriated											
OFFICE OF THE MUNICIPAL MANAGER	14 491 481	-1 334 585	13 156 906	0	226 985	13 383 891	11 442 673	0	1 941 188	85.5%	79.0%
CORPORATE SERVICES	99 796 853	4 911 240	104 707 893	0	-513 222	104 194 671	104 037 884	0	156 787	99.8%	104.2%
COMMUNITY SERVICES	286 729 834	-8 238 644	278 493 190	0	122 438	278 615 628	285 549 515	-6 933 887	-6 933 887	102.5%	99.6%
FINANCIAL SERVICES	62 814 441	-2 166 476	60 647 965	0	-49 988	60 097 977	63 324 898	-3 226 921	-3 226 921	105.4%	101.6%
PLANNING AND ECONOMIC DEVELOPMENT	28 707 720	-256 626	28 451 094	0	-704 243	27 746 851	26 289 474	0	1 457 377	94.7%	91.6%
INFRASTRUCTURE SERVICES	832 014 868	28 457 898	860 472 766	0	910 058	861 382 824	852 752 970	0	8 629 854	99.0%	102.5%
Total Expenditure by Vote	1 324 055 007	21 374 807	1 345 429 814	0	-8 002	1 345 421 812	1 343 397 414	-10 180 808	2 024 398	99.8%	101.5%
Surplus/(Deficit) for the year	48 506 630	-23 721 233	-17 964 217	0	-17 332 201	-35 296 418	8 292 125	-43 588 543	-43 588 543	-23.5%	17.1%

**APPENDIX C3**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)**  
2012/2013

DESCRIPTION	ORIGINAL BUDGET 1	BUDGET ADJUSTMENTS (i.e. s28 and s31 of the MFMA) 2	FINAL ADJUSTMENTS BUDGET 3	SHIFTING OF FUNDS (i.e. s31 of the MFMA) 4	VERMINT (i.e. Council approved by law) 5	FINAL BUDGET 6	ACTUAL OUTCOME 7	UNAUTHORISED EXPENDITURE 8	VARIANCE 9	ACTUAL OUTCOME AS % OF FINAL BUDGET 10	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET 11
<b>Revenue By Source</b>											
Property rates	186 797 920	-6 370 453	180 427 467	0	0	180 427 467	178 298 151	0	2 129 316	98.8%	95.4%
Property rates - penalties & collection charges	2 000 000	-668 000	1 332 000	0	0	1 332 000	1 471 195	0	-139 195	110.5%	73.6%
Service charges - electricity revenue	679 949 530	-17 417 066	662 532 464	0	0	662 532 464	661 851 885	0	-19 319 121	102.9%	100.3%
Service charges - water revenue	116 561 438	-15 794 188	100 767 249	0	0	100 767 249	105 464 748	0	-4 697 499	104.7%	90.5%
Service charges - sanitation revenue	42 490 406	-2 514 044	39 976 362	0	0	39 976 362	38 903 730	0	1 072 632	97.3%	91.6%
Service charges - refuse revenue	59 653 200	-455 039	59 198 161	0	0	59 198 161	58 425 998	0	772 163	98.7%	97.9%
Service charges - other	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Rental of facilities and equipment	19 465 395	-998 659	18 466 736	0	0	18 466 736	18 991 082	0	-524 356	102.8%	97.6%
Interest earned - external investments	6 276 000	-111 000	6 165 000	0	0	6 165 000	6 120 860	0	44 340	99.3%	97.5%
Interest earned - outstanding debtors	9 651 900	383 643	10 035 543	0	0	10 035 543	10 922 408	0	-886 865	108.8%	113.2%
Dividends received	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Fines	7 278 225	-2 770 023	4 508 202	0	0	4 508 202	4 971 247	0	-463 045	110.3%	68.3%
Licences and permits	11 761 450	-495 400	11 266 050	0	0	11 266 050	11 572 086	0	-306 036	102.7%	98.4%
Agency services	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Transfers recognised - operational	149 373 324	-14 209 759	135 163 565	0	0	135 163 565	142 884 071	0	-7 720 506	105.7%	95.7%
Other revenue	28 832 002	-5 308 287	23 523 715	0	0	23 523 715	31 829 631	0	-8 305 912	135.3%	110.4%
Inventory Surpluses	0	0	0	0	0	0	347 128	0	-347 128	0.0%	0.0%
Gains on disposal of PPE	4 000 000	-4 000 000	0	0	0	0	0	0	0	0.0%	0.0%
Gains from assets from non exchange transactions	0	0	0	0	0	0	3 005 000	0	-3 005 000	0.0%	0.0%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1 324 090 793</b>	<b>-70 728 276</b>	<b>1 253 362 518</b>	<b>0</b>	<b>5</b>	<b>1 253 362 518</b>	<b>1 285 058 730</b>	<b>0</b>	<b>-38 691 212</b>	<b>103.3%</b>	<b>97.8%</b>
<b>Expenditure By Type</b>											
Employee related costs	320 542 912	24 734 877	345 277 789	0	0	345 277 789	341 236 148	0	3 981 641	98.8%	106.5%
Remuneration of councillors	18 436 833	-795 386	17 641 447	0	0	17 641 447	17 641 423	0	24	100.0%	95.7%
Debt impairment	26 944 754	0	26 944 754	0	0	26 944 754	48 121 218	0	-21 176 464	178.6%	178.6%
Depreciation & asset impairment	137 517 934	20 003 543	157 521 477	0	0	157 521 477	153 284 860	0	4 236 617	97.3%	111.5%
Finance charges	51 983 251	-2 666 038	49 317 213	0	0	49 317 213	49 276 660	0	41 553	99.9%	94.8%
Bulk purchases	483 811 521	-9 489 340	474 322 181	0	0	474 322 181	466 494 342	0	7 827 839	98.3%	96.4%
Other materials	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Contracted services	9 700 063	596 751	10 296 814	0	0	10 296 814	10 761 939	0	235 298	97.9%	110.9%
Transfers and grants	884 628	0	884 628	0	1	884 629	427 636	0	456 993	48.3%	48.3%
Other expenditure	274 233 143	-11 009 632	263 223 511	0	0	263 223 511	256 111 848	0	6 411 239	97.6%	93.4%
Loss on disposal of PPE	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Total Expenditure</b>	<b>1 324 055 039</b>	<b>21 374 775</b>	<b>1 345 429 814</b>	<b>0</b>	<b>0</b>	<b>1 345 429 814</b>	<b>1 343 415 074</b>	<b>0</b>	<b>2 014 740</b>	<b>99.9%</b>	<b>101.5%</b>
<b>Surplus/(Deficit)</b>	<b>35 754</b>	<b>-92 103 050</b>	<b>-82 067 328</b>	<b>0</b>	<b>5</b>	<b>-92 067 296</b>	<b>-48 358 344</b>	<b>0</b>	<b>-40 705 952</b>	<b>52.5%</b>	<b>-135247.5%</b>
Transfers recognised - capital	48 470 844	25 632 235	74 103 079	0	0	74 103 079	56 630 809	0	0	0.0%	0.0%
Contributions recognised - capital	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Contributed assets	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>48 506 598</b>	<b>-66 470 815</b>	<b>-17 964 249</b>	<b>0</b>	<b>0</b>	<b>-17 964 249</b>	<b>8 274 465</b>	<b>0</b>	<b>-40 705 952</b>	<b>-23.4%</b>	<b>17.1%</b>
Taxation	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Surplus/(Deficit) after taxation</b>	<b>48 506 598</b>	<b>-66 470 815</b>	<b>-17 964 249</b>	<b>0</b>	<b>0</b>	<b>-17 964 249</b>	<b>8 274 465</b>	<b>0</b>	<b>-40 705 952</b>	<b>-23.4%</b>	<b>17.1%</b>
Attributable to minorities	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Surplus/(Deficit) attributable to municipality</b>	<b>48 506 598</b>	<b>-66 470 815</b>	<b>-17 964 249</b>	<b>0</b>	<b>0</b>	<b>-17 964 249</b>	<b>8 274 465</b>	<b>0</b>	<b>-40 705 952</b>	<b>-23.4%</b>	<b>17.1%</b>
Share of surplus/(deficit) of associate	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Surplus/(Deficit) for the year</b>	<b>48 506 598</b>	<b>-66 470 815</b>	<b>-17 964 249</b>	<b>0</b>	<b>0</b>	<b>-17 964 249</b>	<b>8 274 465</b>	<b>0</b>	<b>-40 705 952</b>	<b>-23.4%</b>	<b>17.1%</b>

**APPENDIX C4**  
**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

DESCRIPTION	2012/2013										
	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (i.t.o. s28 and s31 of the MFMA)	FINAL ADJUSTMENTS	SHIFTING OF FUNDS (i.t.o. s31 of the MFMA)	VERIMENT (i.t.o. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	ACTUAL OUTCOME AS % OF FINAL BUDGET	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET
	1	2	3	4	5	6	7	8	9	10	11
Capital expenditure - Vote											
Multi-year expenditure											
OFFICE OF THE MUNICIPAL MANAGER	505	316	821 461	0	0	821 461	413 000	0	408 461	50.3%	81.8%
CORPORATE SERVICES	6 973	1 941	8 913 785	0	-1 668 127	7 245 658	6 193 637	0	1 052 021	85.5%	88.6%
COMMUNITY SERVICES	38 426	2 183	40 609 340	0	-7 937 961	32 671 379	26 261 421	0	6 409 958	80.4%	68.3%
FINANCIAL SERVICES	1 660	-	1 660 000	0	-927 300	732 700	525 672	0	207 028	71.7%	31.7%
PLANNING AND ECONOMIC DEVELOPMENT	1 196	260	1 456 000	0	-3 000	1 453 000	1 394 497	0	58 503	96.0%	116.6%
INFRASTRUCTURE SERVICES	228 893	37 029	265 921 417	0	-62 059 226	203 863 191	200 425 821	0	3 437 370	98.3%	87.6%
Capital multi-year expenditure sub-total	277 652	41 730	319 382 003	0	-72 594 614	246 787 389	235 214 048	0	11 573 341	95.3%	84.7%
Single-year expenditure											
OFFICE OF THE MUNICIPAL MANAGER	-	-	0	0	0	0	0	0	0	0.0%	0.0%
CORPORATE SERVICES	-	-	0	0	0	0	0	0	0	0.0%	0.0%
COMMUNITY SERVICES	-	-	0	0	0	0	0	0	0	0.0%	0.0%
FINANCIAL SERVICES	-	-	0	0	0	0	0	0	0	0.0%	0.0%
PLANNING AND ECONOMIC DEVELOPMENT	-	-	0	0	0	0	0	0	0	0.0%	0.0%
INFRASTRUCTURE SERVICES	-	-	0	0	0	0	0	0	0	0.0%	0.0%
Capital single-year expenditure sub-total	-	-	0	0	0	0	0	0	0	0.0%	0.0%
Total Capital Expenditure - Vote	277 652	41 730	319 382 003	0	-72 594 614	246 787 389	235 214 048	0	11 573 341	95.3%	84.7%
Capital Expenditure - Standard											
Governance and administration											
EXECUTIVE AND COUNCIL	24 709	15 725	40 433 357	0	-9 425 928	31 007 429	28 415 135	0	2 592 295	91.6%	115.0%
BUDGET AND TREASURY OFFICE	1 540	456	1 995 946	0	5 500	2 001 446	1 781 737	0	219 709	89.0%	115.7%
CORPORATE SERVICES	1 660	-	1 660 000	0	-927 300	732 700	525 672	0	207 028	71.7%	31.7%
Community and public safety	21 509	15 269	36 777 411	0	-8 504 128	28 273 283	26 107 725	0	2 165 558	92.3%	121.4%
COMMUNITY AND SOCIAL SERVICES	32 043	2 183	34 228 340	0	-7 904 428	26 321 912	22 637 231	0	3 784 681	85.6%	70.3%
SPORT AND RECREATION	8 103	1 376	9 478 936	0	62 180	9 541 116	9 013 133	0	527 983	94.5%	111.2%
PUBLIC SAFETY	7 198	0	7 135 133	0	-530 122	6 605 011	5 892 002	0	753 009	88.6%	81.3%
HOUSING	1 508	58	1 565 831	0	0	1 565 831	838 950	0	726 881	53.6%	55.6%
HEALTH	15 051	872	15 923 440	0	-7 416 486	8 506 954	6 744 820	0	1 762 134	79.3%	44.8%
Economic and environmental services	183	0	123 000	0	-20 000	103 000	88 326	0	14 674	85.8%	46.3%
PLANNING AND DEVELOPMENT	24 886	12 296	37 181 827	0	-17 292 678	19 889 149	19 514 900	0	374 249	98.1%	78.4%
ROAD TRANSPORT	1 173	260	1 433 000	0	0	1 433 000	1 374 497	0	58 503	95.9%	117.2%
ENVIRONMENTAL PROTECTION	23 713	12 036	35 748 827	0	-17 292 678	18 456 149	18 140 402	0	315 747	98.3%	76.5%
Trading services	-	-	0	0	0	0	0	0	0	0.0%	0.0%
ELECTRICITY	196 016	11 525	207 540 479	0	-37 971 580	169 568 899	164 746 783	0	4 822 116	97.2%	84.0%
WATER	29 885	9 806	39 691 346	0	-7 265 500	32 225 846	30 012 232	0	2 213 614	93.1%	100.4%
WASTE WATER MANAGEMENT	41 960	-	41 960 000	0	-3 525 839	38 434 161	38 417 946	0	16 215	100.0%	91.6%
WASTE MANAGEMENT	118 220	1 919	120 139 133	0	-27 186 022	92 953 111	92 909 834	0	43 277	100.0%	78.9%
Other	5 950	-	5 950 000	0	5 781	5 955 781	3 406 771	0	2 549 010	57.2%	57.3%
Total Capital Expenditure - Standard	277 652	41 730	319 382 003	0	-72 594 614	246 787 389	235 214 048	0	11 573 341	95.3%	84.7%
Funded by:											
National Government	48 471	25 632	74 103 079	0	0	56 762 876	56 630 809	0	132 067	99.8%	116.6%
Provincial Government	-	-	0	0	0	0	0	0	0	0.0%	0.0%
District Municipality	-	-	0	0	0	0	0	0	0	0.0%	0.0%
Other transfers and grants	-	-	0	0	0	0	0	0	0	0.0%	0.0%

**APPENDIX C4**  
**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

DESCRIPTION	2012/2013										
	ORIGINAL BUDGET 1	BUDGET ADJUSTMENTS (i.to. s28 and s31 of the MFMA) 2	FINAL ADJUSTMENTS BUDGET 3	SHIFTING OF FUNDS (i.to. s31 of the MFMA) 4	VERIMENT (i.to. Council approved by law) 5	FINAL BUDGET 6	ACTUAL OUTCOME 7	UNAUTHORISED EXPENDITURE 8	VARIANCE 9	AUCTIONAL OUTCOME AS % OF FINAL BUDGET 10	AUCTIONAL OUTCOME AS % OF ORIGINAL BUDGET 11
Transfers recognised - capital	48 471	25 632	74 103 079	0	0	56 762 876	56 630 809	0	132 067	99.8%	116.8%
Public contributions & donations	216 135	5 589	221 704 198	0	0	171 633 248	168 904 096	0	4 729 152	97.2%	77.2%
Borrowing	13 046	10 528	23 574 726	0	0	18 391 265	11 679 143	0	6 712 122	63.5%	89.5%
Internally generated funds	277 662	41 730	319 392 003	0	0	246 787 389	235 214 048	0	11 573 341	95.3%	84.7%
Total Capital Funding											

**APPENDIX C5**  
**RECONCILIATION OF BUDGETED CASH FLOW**

2012/2013								
	1	2	3	6	7	9	10	11
Description	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Outcome as % of Original Budget
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
Receipts								
Ratepayers and other	1 136 494 874	52 261 770	1 084 233 104	1 112 033 953	1 077 414 262	34 619 691	96.9%	94.8%
Government - operating	156 730 168	2 203 817	154 526 351	135 163 565	121 588 396	13 575 169	90.0%	77.6%
Government - capital	41 114 000	-13 626 293	54 740 293	56 762 876	56 630 809	132 067	99.8%	137.7%
Interest	6 276 000	111 000	6 165 000	6 165 000	6 105 540	59 460	99.0%	97.3%
Dividends	0	0	0	0	15 120	-15 120	0.0%	0.0%
Payments								
Suppliers and employees	-1 106 724 437	4 037 303	-1 110 761 740	-1 137 706 495	-1 086 435 705	-51 270 790	95.5%	98.2%
Finance charges	-51 983 251	-2 666 035	-49 317 216	-49 317 213	-49 275 660	-41 553	99.9%	94.8%
Transfers and Grants	-884 629	0	-884 629	-884 629	-427 636	-456 993	48.3%	48.3%
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>181 022 725</b>	<b>42 321 561</b>	<b>138 701 163</b>	<b>122 217 057</b>	<b>125 615 126</b>	<b>-3 398 069</b>	<b>102.8%</b>	<b>69.4%</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Receipts								
Proceeds on disposal of PPE	4 000 000	4 000 000	0	0	102 500	-102 500	0.0%	2.6%
Decrease (Increase) in non-current debtors	0	0	0	0	0	0	0.0%	0.0%
Decrease (increase) other non-current receivables	500 000	0	500 000	500 000	-144 542	644 542	-28.9%	-28.9%
Decrease (Increase) in non-current investments	0	0	0	0	0	0	0.0%	0.0%
Payments								
Capital assets	-277 652 314	41 729 689	-319 382 003	-246 787 389	-235 214 048	-11 573 341	95.3%	84.7%
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>-273 152 314</b>	<b>45 729 689</b>	<b>-318 882 003</b>	<b>-246 287 389</b>	<b>-235 256 090</b>	<b>-11 031 299</b>	<b>95.5%</b>	<b>86.1%</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Receipts								
Short term loans	0	0	0	0	0	0	0.0%	0.0%
Borrowing long term/refinancing	216 135 000	0	216 135 000	186 985 000	186 985 000	0	100.0%	86.5%
Increase (decrease) in consumer deposits	2 000 000	0	2 000 000	2 000 000	3 787 274	-1 787 274	189.4%	189.4%
Payments								
Repayment of borrowing	-49 461 913	0	-49 461 913	-49 461 913	-57 242 528	7 780 615	115.7%	115.7%
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>168 673 087</b>	<b>0</b>	<b>168 673 087</b>	<b>139 523 087</b>	<b>133 529 746</b>	<b>5 993 341</b>	<b>95.7%</b>	<b>79.2%</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>111 957 156</b>	<b>0</b>	<b>111 957 156</b>	<b>111 957 156</b>	<b>111 957 156</b>	<b>0</b>	<b>100.0%</b>	<b>100.0%</b>
Cash/cash equivalents at the year begin:	188 500 654	88 051 250	100 449 403	127 409 911	135 845 938	-8 436 027	106.6%	72.1%
Cash/cash equivalents at the year end:								



# APPENDIX D

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF THE MFMA, 66 OF 2003

DESCRIPTION	FUND	Quarterly Receipts					Quarterly Expenditure (Capital & Operating)					CLOSING BALANCE 30/06/2013
		September	December	March	June	Total	September	December	March	June	Total	
Indigent Policy Fund	National Government	-4 939 626.30	-23 132 000	-17 350 000	-374	-49 397 000	11 283 167	11 755 774	14 035 327	37 243 397	74 305 026	0
Crup Projects	National Government	0.00	-9 345 000	-2 000 000	-11 350 000	-35 695 000	0	23 825 892	2 439 607	9 005 483	34 989 072	-111 828
Bufoi Education: WOCSS	National Government	-754.83	1 203	0	-3 610	-3 161	0	0	0	0	0	-755
Water Services Asset Management	National Government	-189 236.93	0	0	0	-189 236.93	0	304 696	343 332	-149 636	155 240	-47 937
Budget Reform programme - National Treasury	National Government	-0.41	0	0	0	-0.41	0	324 651	0	595 007	1 280 000	0
Flooded Roads Subsidies	Provincial Government	0.00	0	0	-331 000	-331 000	0	0	0	231 000	231 000	-566 603
Cardinals Housing Project	Provincial Government	-955 502.59	0	0	0	-955 502.59	0	0	0	0	0	-955 502.59
100% Hula WOR Skarling	Provincial Government	-620 003.70	0	0	0	-620 003.70	0	0	0	0	0	-620 003.70
Dromedarius Street EHP	Provincial Government	0.00	0	0	0	0.00	0	0	0	0	0	0
Project 2 - Mchibini (Housing Scheme 49)	Provincial Government	-14 638 003	-15 551 846	-1 342 052	-28 313 054	-58 843 955	0	32 165 941	0	0	32 165 941	-232 604
Housing Project 59 (Pitjara)	Provincial Government	-1 335 132.97	0	0	0	-1 335 132.97	0	0	17 789 671	-18 971 816	859 753	-478 380
Ungranted money project 59 (Guarantee)	Provincial Government	-3 501 445	-2 152 000	0	1 162 842	-4 339 603	0	0	0	42 658	42 658	-4 481 325
New Soyabana	Other	0.00	0	0	0	0.00	0	0	0	0	0	0
Eril 2220	Provincial Government	-523 635.70	0	0	0	-523 635.70	0	0	0	0	0	-523 635.70
Goods	Provincial Government	-303 288.20	0	0	0	-303 288.20	0	0	0	0	0	-303 288.20
TIF/EMERGENCY KTSO R THAMBO INF SETTLE	Provincial Government	-1 310 355.64	0	0	-523 432	-1 833 787.64	0	0	0	0	0	-1 833 787.64
DALOSAPAT TRANSFERS	Provincial Government	-2 003 627.45	0	0	0	-2 003 627.45	0	0	0	0	0	-2 003 627.45
KINGSTON	Provincial Government	-14 397.05	0	0	0	-14 397.05	0	0	0	0	0	-14 397.05
LANTANA	Provincial Government	-463 160.00	0	0	0	-463 160.00	0	0	0	0	0	-463 160.00
SIYASHALA	Provincial Government	-83 322.22	0	0	0	-83 322.22	0	0	0	0	0	-83 322.22
Library Personnel Grant	Provincial Government	0.00	0	-217 571	-1 064 755	-1 282 326	0	0	0	1 385 651	1 385 651	0
Library Building Grant (Transition Grant)	Provincial Government	-78 478.89	0	-355 464	-355 464	-739 943	0	0	0	0	0	-739 943
Community Development Workers	Provincial Government	-10 347.77	0	-709 994	-709 994	-720 341.77	0	0	0	8 255 806	8 255 806	-730 341.77
Land for provision of Industrial & Residential purposes	Provincial Government	-177 035.85	-357 131	0	0	-534 166.85	0	109 595	24 982	1 309 474	1 544 151	-10 348
RBIG - Grant	Provincial Government	-20 791.16	0	0	0	-20 791.16	0	303 216	89 530	388 841	789 959	-10 348
Dijofaht Shidela Akelkaban	Other	0.53	0	0	0	0.53	0	0	0	0	0	0.53
Eril 2220: Stormwater upgrade	Other	-18 032.95	0	0	0	-18 032.95	0	0	0	0	0	-18 032.95
Integrated Food and Nutrition	Other	-451.32	0	-335 344	-164 656	-951 320	0	36 657	1 102 566	46 192	7 000 000	-5 622 385
Opelising Lary	Other	-1.00	0	0	0	-1.00	0	0	0	0	0	-1.00
EPVVP - Roads and Cleansing	Other	0.00	0	0	0	0.00	0	0	0	0	0	0
Provision basic services of Tambo	Other	-1 025 704.57	-300 000	300 000	0	-1 025 704.57	0	0	0	0	0	-1 025 704.57
BULK WATER RESOURCE STUDY (R200000)PRULAV	Other	-80 475.46	-510 121	-185 115	-281 300	-1 056 911	0	56 184	0	8 245	8 245	-2 273 285
DEPARTMENT OF PUBLIC WORKS (TAXI RANK)	Other	-47 750.22	0	0	0	-47 750.22	21 610	0	0	278 111	278 111	-27 214
IDP - BOR	Other	-281 550.75	-300 000	-300 000	-700 000	-1 581 550.75	0	0	683 975	0	683 975	-48 750
Electrification Funding	Other	0.00	0	0	0	0.00	0	0	0	0	0	-48 750
Mun Vehicles & Waste Pension	Other	-139 552.50	0	0	0	-139 552.50	0	3 402 865	1 543 273	0	4 946 139	-153 644
Beginner Police Study	Other	0.00	0	0	0	0.00	0	0	0	0	0	0
HERMON WATER AMALUTINGS	Other	-3.61	0	0	0	-3.61	0	0	0	0	0	-3.61
TIF/TOERENING VIR INFRASTRUK PROJEKT OWL	Other	-44.21	0	0	0	-44.21	0	0	0	83 223	83 223	-44.21
TARING OF SIDEWALKS OIR THAMBO	Other	-2 899 050.09	0	0	0	-2 899 050.09	0	0	0	148 156	148 156	-2 750 894
INDUSTRIAL DEVELOPMENT CORP SUPPORT FUND	Other	-205 310.01	0	0	0	-205 310.01	0	0	0	0	0	-205 310.01
Bulk Services Levy - Water and Sewerage	Other	-1 487 537.74	-40 600	-105 326	-3 654	-1 633 117.74	0	0	0	0	0	-1 633 117.74
Bulk Services Levy - Electricity	Other	-510 304.39	0	0	0	-510 304.39	0	0	0	0	0	-510 304.39
Ashanti win sewer system (Guarantee)	Other	0.00	0	0	0	0.00	0	0	0	0	0	0
Chalal (Guarantee)	Other	0.00	0	0	0	0.00	0	0	0	0	0	0
Cofin D Brown Consulting (Guarantee) (Kowalese)	Other	0.00	0	0	0	0.00	0	0	0	38 050	38 050	0
		-25 423 116	-47 876 614	-34 867 735	-39 763 335	-149 728 200	11 287 053	77 655 336	38 351 233	72 482 851	200 202 910	-1 300 000
												-42 525 005

# APPENDIX E

## DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003

NAME OF GRANT	REASON FOR RECEIPT	FUNDING	OPENING BALANCE 01/07/2012 R	CLOSING BALANCE 30/06/2013 R
Indigent Policy Fund	Funding Indigent Debtors	Ongoing	-4 908 626	0
Cmip Projects	Funding of Infrastructure projects	Ongoing	0	-111 928
Bucket Eradication: WC056	Bucket Eradication	Once	-755	-755
Water Services Asset Management	Asset Management	Once	-199 237	-43 997
Budget Reform programme - National Treasury	Intern Programme	Ongoing	-0	0
Proclaimed Roads Subsidies	Housing Projects	Ongoing	0	0
Carterville Housing Project	Housing Projects	Ongoing	-956 503	-956 503
1068 Hulse WDR Skenking	Housing Projects	Ongoing	-920 604	-920 604
Drommedaris Street EHP	Housing Projects	Ongoing	0	0
Project 2 - Mbekweni (Housing Scheme 49)	Housing Projects	Ongoing	-1 365 133	-478 380
Housing Project 59 (Fairlyland)	Housing Projects	Ongoing	0	-4 458 325
White City Housing Scheme 51	Housing Projects	Ongoing	0	0
Drommedaris Street 181 Paarl	Housing Projects	Ongoing	0	0
Housing Project (Silvertown)	Housing Projects	Ongoing	0	0
Unspend money project 59 (guarantee)	Housing Projects	Ongoing	-823 636	-823 636
New Seyayama	Housing Projects	Ongoing	-303 259	-154 012
Erf 2220	Housing Projects	Ongoing	-1 310 357	-1 209 959
Gouda	Housing Projects	Ongoing	-2 003 627	-2 003 627
T/F/EMERGENCY KITS:O R THAMBO INF SETTLE	Housing Projects	Ongoing	-14 307	-14 307
DALJOSAPHAT TRANSFERS	Housing Projects	Ongoing	-453 180	-453 180
KINGSTON	Housing Projects	Ongoing	-83 322	0
LANTANA	Housing Projects	Ongoing	0	0
SIYASHALA	Housing Projects	Ongoing	-78 479	0
AMSTELHOF PROJECT 35	Housing Projects	Ongoing	-10 348	-10 348
Library Personell Grant	satellite Libraries	Ongoing	-177 006	-130 855
Muicpal Systems Improvement Grant	Capacity Building	Ongoing	1	0
Library Building Grant ( Transition Grant)	Building of Library	Once	-20 791	-20 791
Soccerfield	Upgrading of Soccerfields	Once	-19 033	-19 033
Elekt Masterplan	Once	Once	0	0
Community Development Workers	Community Development (Wards)	Ongoing	-376 293	-154 395
Land for provision of Industrial & Residential purposes	Land Study	Once	-51 093	-51 093
RBIG - Grant	Create Infrastructure	Ongoing	-5 082 306	-5 062 306
Daljosafat Sintetise Atletiekbaan	Improvement of Track	Once	-492	-492
Erf 2220: Stormwater upgrade	Housing Projects	Once	-1	-1
Intergrated Food and Nutrition	Once	Once	0	0
Opleiding Levy	Training	Ongoing	-1 025 705	-2 273 285
EPWP - Roads and Cleansing	Job Creation	Ongoing	-80 476	-2 671
Provision basic services or Tambo	Housing	Once	0	-27 314
Annual Update of water & Sewerage Masterplans	Once	Once	-0	-0
BULK WATER RESOURCE STUDY(R2000000)PRL&W	Impact Study	Once	-87 780	-87 780
DEPARTMENT OF PUBLIC WORKS (TAXI RANK)	Create Infrastructure	Once	-291 581	-291 581
IDP - BDR	Once	Once	0	0
Electrification Funding	Electrification Housing projects	Ongoing	-139 683	-193 544
Mun Weduwee & Wese Pension	Mayoral Fund	Once	0	-838 290
Greenest Town Award	Create Infrastructure	Once	0	-46 777
Bergriver Pollution Study	Impact Study	Once	-4	-31 847
HERMON WATER AANSLUITINGS	Create Infrastructure	Once	-44	-44
T/F:TOEKENING VIR INFRASTRUK PROJEKT CWL	Create Infrastructure	Once	-2 609 059	-500 559
TARING OF SIDEWALKS O/R THAMBO	Create Infrastructure	Once	-47 447	-47 447
INDUSTRIAL DEVELOPMENT CORP SUPPORT FUND	Create Infrastructure	Once	-205 310	-205 310
Bulk Sevices Levy - Water and Sewerage	Create Infrastructure	Ongoing	-1 487 638	-1 689 931
Bulk Sevices Levy - Electricity	Create Infrastructure	Ongoing	-510 304	-520 099
Collin D Brown Consulting: (Guarentee) (Kwaleski)	Guarentee	Once	0	-1 300 000
			-25 423 416	-24 935 006